BMO Financial Group

Second Quarter 2013 Report to Shareholders

BMO Financial Group Reports Solid Results for the Second Quarter of 2013

Financial Results Highlights:

Second Quarter 2013 Compared with Second Quarter 2012:

- **Net income of $975 million, down 5%; adjusted net income[1] of $997 million, up 2%**
- **EPS[2] of $1.42, down 6%; adjusted EPS[1,2] of $1.46, up 1%**
- **ROE of 14.2%, compared with 16.2%; adjusted ROE[1] of 14.5%, compared with 15.4%**
- **Provisions for credit losses of $145 million, compared with $195 million; adjusted provisions for credit losses[1] of $110 million, compared with $151 million**
- **Basel III Common Equity Ratio is strong at 9.7%**

Year-to-Date 2013 Compared with Year-to-Date 2012:

- **Net income of $2,023 million, down 5%; adjusted net income[1] of $2,038 million, up 4%**
- **EPS[2] of $2.95, down 6%; adjusted EPS[1,2] of $2.97, up 4%**
- **ROE of 14.6%, compared with 16.7%; adjusted ROE[1] of 14.7%, compared with 15.2%**
- **Provisions for credit losses of $323 million, compared with $336 million; adjusted provisions for credit losses[1] of $206 million, compared with $242 million**

Toronto, May 29, 2013 – For the second quarter ended April 30, 2013, BMO Financial Group reported net income of $975 million or $1.42 per share on a reported basis and net income of $997 million or $1.46 per share on an adjusted basis.

"BMO's second quarter reflects solid operating performance," said Bill Downe, President and Chief Executive Officer, BMO Financial Group. "Our wealth, capital markets, and U.S. personal and commercial banking businesses each had a good quarter. We saw continuing volume growth in Canadian personal and commercial lending as a result of new business opened. P&C Canada is taking share and is confident in its ability to convert new customers into multi-product relationships.

"We continue to have strong performance in commercial banking. The core U.S. commercial and industrial portfolio is up 17 per cent year over year, marking the sixth quarter of sequential growth. In Canada, where we have the number two market share in small and medium-sized commercial loans, both commercial loan and deposit balances increased 12 per cent year over year.

"Management's focus on organizational efficiency is a multi-year commitment. Our first priority is sustainable revenue growth – and the disciplined management of expense is an ongoing dimension of profitable growth. Our strong capital position continues to give us flexibility. During the quarter, our Basel III Common Equity Tier 1 Ratio increased, while we also purchased four million shares under our normal course issuer bid.

"Looking forward, we have an advantaged business mix and are well-positioned for the current environment given our footprint in an improving U.S. Midwest economy, combined with our strength in commercial banking, capital markets and wealth. These are important differentiators. At the same time, we continue to focus on what's necessary to support future growth, and are confident that the value we create for customers will translate into financial performance for the bank," concluded Mr. Downe.

1 Results and measures in this document are presented on a GAAP basis. They are also presented on an adjusted basis that excludes the impact of certain items. Adjusted results and measures are non-GAAP and are detailed in the Adjusted Net Income section, and (for all reported periods) in the Non-GAAP Measures section, where such non-GAAP measures and their closest GAAP counterparts are disclosed.
2 All Earnings per Share (EPS) measures in this document refer to diluted EPS unless specified otherwise. EPS is calculated using net income after deductions for net income attributable to non-controlling interest in subsidiaries and preferred share dividends.

Note: All ratios and percentage changes in this document are based on unrounded numbers.

Concurrent with the release of results, BMO announced a third quarter 2013 dividend of $0.74 per common share, unchanged from the preceding quarter and up $0.04 per share from a year ago, equivalent to an annual dividend of $2.96 per common share.

Our strong capital ratios enabled us to initiate a normal course issuer bid. During the second quarter, we repurchased four million common shares under our share repurchase program.

Our complete Second Quarter 2013 Report to Shareholders, including our unaudited interim consolidated financial statements for the period ended April 30, 2013, is available online at www.bmo.com/investorrelations and at www.sedar.com.

Operating Segment Overview

P&C Canada

Net income was $430 million, little changed from $433 million a year ago. Revenue was consistent with the prior year as the effects of strong volume growth across most products were offset by the impact of lower net interest margin. Expenses were up 3% due to continued investment in the business, including higher employee-related costs with increases in front-line resources across a number of roles. We expanded our branch network by opening or upgrading 18 locations across the country.

The successful execution of our strategy is resulting in strong loan growth and commercial deposit growth, positioning us well for revenue growth in an improving interest rate environment. This, combined with our continued focus on reducing costs through process simplification, will drive future net income growth.

Our focus on making money make sense for our customers, and offering simplified and innovative products and exceptional customer service has resulted in customer loyalty scores that continue to be top-tier, as measured by net promoter score. These strong customer loyalty scores are being translated into strong balance sheet growth with year-over-year loan growth of 10% and deposit growth of 7%. We have also seen an increase in the average number of products held by our customers.

In personal banking, strong lending and deposit balance growth continues. Our investment campaign was a success with strong mutual fund growth and good growth in tax-free savings account balances. We are generating positive early results from the launch of our Spring Home Financing campaign.

In commercial banking, we continue to rank second in Canadian business banking loan market share for small and medium-sized loans due to our focus on offering the integrated products, services and advice that our diverse commercial customer base needs. Our commercial loan and deposit growth continues to show good momentum with year-over-year growth of 12%. Recently, BMO was awarded a seven-year contract to provide a corporate card travel, payment and expense management program for the Government of Canada. This quarter, we also completed the acquisition of the assets of Aver Media LP, a leading private Canadian-based film and TV media lending company.

P&C U.S. (all amounts in US$)

Net income of $152 million increased $9 million or 6% from $143 million in the second quarter a year ago. Adjusted net income was $163 million, an increase of $5 million or 3% from a year ago due to reduced expenses and lower provisions for credit losses. Revenue was 4% lower as the effects of increased commercial lending fees and strong commercial loan growth were more than offset by reductions in certain loan portfolios, net interest margin and deposit fees.

Total loans continued to grow, with year-over-year and sequential increases in average loans, led by continued strong growth in the core commercial and industrial (C&I) loan portfolio. The core C&I portfolio increased by $3.3 billion or 17% from a year ago.

Deposits remained steady with minimal change on a sequential and year-over-year basis.

We continue to support increased home ownership of quality affordable housing in our local communities. During the quarter, we announced our Affordable Housing Grant Program to help put new home purchases or refinancings within reach of our customers. The program offers up to $2,000 to be used towards a down payment or the closing costs on the purchase or refinancing of a primary home.

Private Client Group

Net income was $141 million, down $6 million or 4% from a year ago. Adjusted net income was $148 million, down $5 million or 3% from a year ago. Adjusted net income in Private Client Group (PCG), excluding Insurance, was $114 million, up $13 million or 14% from a year ago. Results reflect higher revenue, driven by growth in new client assets and market appreciation, and a continued focus on productivity. Adjusted net income in Insurance was $34 million, down $18 million or 34% from a year ago. The decrease was due to the $34 million after-tax impact of a decline in long-term interest rates in the current quarter relative to a modest gain a year ago.

Assets under management and administration grew by $57 billion or 12% from a year ago to $522 billion, driven by growth in new client assets and market appreciation.

The BMO Funds U.S. was recently ranked among the Best U.S. Mutual Fund Families of 2012 according to Barron's annual survey. Our U.S. mutual fund family has now surpassed $10 billion in assets under management.

BMO Asset Management Inc. introduced seven new Exchange Traded Funds, increasing its fund line-up to 55 offerings. These innovative new ETFs are designed to help investors construct their portfolios more effectively and, with additional U.S. dollar offerings, investors now have more choice than ever before.

For the third consecutive year, *Global Banking and Finance Review* named BMO Harris Private Banking the Best Private Bank in Canada, citing its leadership in providing excellent wealth management solutions, access to comprehensive investment solutions and commitment to improved quality.

Harris myCFO won two awards, after being short-listed in four different categories, at the 2013 Private Asset Management Awards.

BMO Capital Markets

Net income was $275 million, up $42 million or 18% from the prior year. There was stronger revenue performance from our Trading Products business, most notably from interest rate activities. We also saw higher corporate banking revenue from our Investment and Corporate Banking business.

During the quarter we earned a number of awards, recognizing our commitment to focusing on clients. BMO Capital Markets was named Canada's Best Investment Bank for the third time and World's Best Metals and Mining Investment Bank for the fourth consecutive year by Global Finance.

BMO Capital Markets participated in 129 new issues in the quarter including 41 corporate debt deals, 28 government debt deals, 51 common equity transactions and nine issues of preferred shares, raising $52 billion.

Corporate Services

Corporate Services net loss for the quarter was $26 million, compared with net income of $73 million a year ago. On an adjusted basis, the net loss was $26 million, compared with net income of $3 million a year ago. The decrease in reported results was significantly larger than the decrease in adjusted results primarily due to high revenues from run-off structured credit activities in reported results a year ago. Adjusting items are detailed in the Adjusted Net Income section and in the Non-GAAP Measures section. Corporate Services adjusted results were lower than a year ago due to lower revenues, partially offset by reduced expenses.

Adjusted Net Income

Adjusted net income was $997 million for the second quarter of 2013, up $15 million or 2% from a year ago. Adjusted earnings per share were $1.46, up 1% from $1.44 a year ago.

Management has designated certain amounts as adjusting items and has adjusted GAAP results so that we can discuss and present financial results without the effects of adjusting items to facilitate understanding of business performance and related trends. Management assesses performance on a GAAP basis and on an adjusted basis and considers both to be useful in the assessment of underlying business performance. Presenting results on both bases provides readers with a better understanding of how management assesses results. Adjusted results and measures are non-GAAP and, together with items excluded in determining adjusted results, are disclosed in more detail in the Non-GAAP Measures section, along with comments on the uses and limitations of such measures.

Items excluded from second quarter 2013 results in the determination of adjusted results totalled $22 million of net loss or $0.04 per share and were comprised of:

- the $73 million after-tax net benefit for credit-related items in respect of the acquired Marshall & Ilsley (M&I) performing loan portfolio, consisting of $176 million for the recognition in net interest income of a portion of the credit mark on the portfolio (including $68 million for the release of the credit mark related to early repayment of loans), net of a $57 million provision for credit losses (comprised of specific provisions of $65 million and a decrease in the collective allowance of $8 million) and related income taxes of $46 million. These credit-related items in respect of the acquired M&I performing loan portfolio can significantly impact both net interest income and the provision for credit losses in different periods over the life of the acquired M&I performing loan portfolio;
- costs of $50 million ($31 million after tax) for integration of M&I including amounts related to system conversions, restructuring and other employee-related charges, consulting fees and marketing costs related to rebranding activities;
- a restructuring charge of $82 million ($59 million after tax) to align our cost structure with the current and future business environment. This action is a part of the broader effort underway to improve productivity in the bank;
- a decrease in the collective allowance for credit losses of $22 million ($11 million after tax) on loans other than the M&I purchased loan portfolio;
- the $6 million before and after-tax benefit from run-off structured credit activities; and
- the amortization of acquisition-related intangible assets of $31 million ($22 million after tax).

All of the above adjusting items were recorded in Corporate Services except the amortization of acquisition-related intangible assets, which is charged to the operating groups.

The impact of adjusting items for comparative periods is summarized in the Non-GAAP Measures section.

Caution

The foregoing sections contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements that follows.

The foregoing sections contain adjusted results and measures, which are non-GAAP. Please see the Non-GAAP Measures section.

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) commentary is as of May 29, 2013. Unless otherwise indicated, all amounts are in Canadian dollars and have been derived from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). References to GAAP mean IFRS, unless indicated otherwise. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements for the period ended April 30, 2013, as well as the audited consolidated financial statements for the year ended October 31, 2012, and Management's Discussion and Analysis for fiscal 2012. The material that precedes this section comprises part of this MD&A.

The annual MD&A includes a comprehensive discussion of our businesses, strategies and objectives, and can be accessed on our website at www.bmo.com/investorrelations. Readers are also encouraged to visit the site to view other quarterly financial information.

Table of Contents

Bank of Montreal's management, under the supervision of the CEO and CFO, has evaluated the effectiveness, as at April 30, 2013, of Bank of Montreal's disclosure controls and procedures (as defined in the rules of the Securities and Exchange Commission and the Canadian Securities Administrators) and has concluded that such disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended April 30, 2013, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Because of inherent limitations, disclosure controls and procedures and internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements.

As in prior quarters, Bank of Montreal's Audit and Conduct Review Committee reviewed this document and Bank of Montreal's Board of Directors approved the document prior to its release.

Regulatory Filings

Our continuous disclosure materials, including our interim filings, annual MD&A and audited consolidated financial statements, Annual Information Form and Notice of Annual Meeting of Shareholders and Proxy Circular are available on our website at www.bmo.com/investorrelations, on the Canadian Securities Administrators' website at www.sedar.com and on the EDGAR section of the SEC's website at www.sec.gov.

Bank of Montreal uses a unified branding approach that links all of the organization's member companies. Bank of Montreal, together with its subsidiaries, is known as BMO Financial Group. As such, in this document, the names BMO and BMO Financial Group mean Bank of Montreal, together with its subsidiaries.

Summary Data – Reported								Table 1
(Unaudited) (Canadian $ in millions, except as noted)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
Summary Income Statement								
Net interest income	**2,098**	2,120	(1)	2,216	(5)	**4,314**	4,438	(3)
Non-interest revenue	**1,846**	1,839	-	1,865	(1)	**3,711**	3,638	2
Revenue	**3,944**	3,959	-	4,081	(3)	**8,025**	8,076	(1)
Specific provision for credit losses	**175**	195	(10)	178	(2)	**353**	317	11
Collective provision for (recovery of) credit losses	**(30)**	-	nm	-	nm	**(30)**	19	(+100)
Total provision for credit losses	**145**	195	(26)	178	(19)	**323**	336	(4)
Non-interest expense	**2,568**	2,499	3	2,590	(1)	**5,158**	5,053	2
Provision for income taxes	**256**	237	8	265	(3)	**521**	550	(5)
Net income	**975**	1,028	(5)	1,048	(7)	**2,023**	2,137	(5)
Attributable to bank shareholders	**957**	1,010	(5)	1,030	(7)	**1,987**	2,100	(5)
Attributable to non-controlling interest in subsidiaries	**18**	18	-	18	-	**36**	37	(3)
Net income	**975**	1,028	(5)	1,048	(7)	**2,023**	2,137	(5)
Common Share Data ($ except as noted)								
Earnings per share	**1.42**	1.51	(6)	1.53	(7)	**2.95**	3.14	(6)
Dividends declared per share	**0.74**	0.70	6	0.72	3	**1.46**	1.40	4
Book value per share	**41.73**	38.06	10	40.87	2	**41.73**	38.06	10
Closing share price	**63.19**	58.67	8	62.99	-	**63.19**	58.67	8
Total market value of common shares ($ billions)	**41.0**	37.7	9	41.1	-	**41.0**	37.7	9
Dividend yield (%)	**4.7**	4.8	nm	4.6	nm	**4.6**	4.8	nm
Price-to-earnings ratio (times)	**10.6**	11.0	nm	10.4	nm	**10.6**	11.0	nm
Market-to-book value (times)	**1.5**	1.5	nm	1.5	nm	**1.5**	1.5	nm
Financial Measures and Ratios (%)								
Return on equity	**14.2**	16.2	(2.0)	14.9	(0.7)	**14.6**	16.7	(2.1)
Revenue growth	**-**	19	nm	(1)	nm	**(1)**	19	nm
Non-interest expense growth	**3**	23	nm	1	nm	**2**	24	nm
Efficiency ratio	**65.1**	63.1	2.0	63.5	1.6	**64.3**	62.6	1.7
Operating leverage	**(3.2)**	(4.4)	nm	(2.3)	nm	**(2.7)**	(4.9)	nm
Net interest margin on earning assets	**1.79**	1.89	(0.10)	1.85	(0.06)	**1.82**	1.97	(0.15)
Effective tax rate	**20.8**	18.7	2.1	20.2	0.6	**20.5**	20.5	-
Return on average assets	**0.71**	0.76	(0.05)	0.74	(0.03)	**0.72**	0.78	(0.06)
Provision for credit losses-to-average loans and acceptances (annualized)	**0.22**	0.32	(0.10)	0.28	(0.06)	**0.25**	0.28	(0.03)
Gross impaired loans and acceptances-to-equity and allowance for credit losses	**8.80**	9.34	(0.54)	8.98	(0.18)	**8.80**	9.34	(0.54)
Value Measures (% except as noted)								
Average annual three year total shareholder return	**4.9**	19.9	(15.0)	11.8	(6.9)	**4.9**	19.9	(15.0)
Twelve month total shareholder return	**13.0**	(1.0)	14.0	13.5	(0.5)	**13.0**	(1.0)	14.0
Net economic profit ($ millions)	**263**	366	(28)	318	(17)	**581**	800	(27)
Balance Sheet (as at $billions)								
Assets	**555**	526	6	542	2	**555**	526	6
Net loans and acceptances	**264**	244	8	259	2	**264**	244	8
Deposits	**358**	316	13	351	2	**358**	316	13
Common shareholders' equity	**27.1**	24.5	11	26.6	2	**27.1**	24.5	11
Cash and securities-to-total assets ratio (%)	**30.1**	32.0	(1.9)	30.6	(0.5)	**30.1**	32.0	(1.9)
Capital Ratios (%)	**Basel III**	Basel II		Basel III		**Basel III**	Basel II	
Common Equity Tier 1 Capital Ratio	**9.7**	9.9	nm	9.4	0.3	**9.7**	9.9	nm
Tier 1 Capital Ratio	**11.3**	12.0	nm	11.1	0.2	**11.3**	12.0	nm
Total Capital Ratio	**13.7**	14.9	nm	13.4	0.3	**13.7**	14.9	nm
Net Income by Operating Group								
P&C Canada	**430**	433	(1)	458	(6)	**888**	874	2
P&C U.S.	**155**	142	9	182	(15)	**337**	301	12
Personal and Commercial Banking	**585**	575	2	640	(9)	**1,225**	1,175	4
Private Client Group	**141**	147	(4)	163	(14)	**304**	251	21
BMO Capital Markets	**275**	233	18	310	(11)	**585**	457	28
Corporate Services, including Technology and Operations (T&O)	**(26)**	73	(+100)	(65)	61	**(91)**	254	(+100)
BMO Financial Group net income	**975**	1,028	(5)	1,048	(7)	**2,023**	2,137	(5)

nm – not meaningful

Summary Data – Adjusted (1) Table 2

(Unaudited) (Canadian $ in millions, except as noted)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
Summary Income Statement								
Adjusted net interest income	**1,923**	1,969	(2)	2,004	(4)	**3,927**	4,061	(3)
Adjusted non-interest revenue	**1,836**	1,758	4	1,857	(1)	**3,693**	3,409	8
Adjusted revenue	**3,759**	3,727	1	3,861	(3)	**7,620**	7,470	2
Adjusted specific provision and adjusted total provision for credit losses	**110**	151	(28)	96	14	**206**	242	(15)
Adjusted non-interest expense	**2,402**	2,357	2	2,464	(2)	**4,866**	4,735	3
Adjusted provision for income taxes	**250**	237	5	260	(3)	**510**	539	(6)
Adjusted net income	**997**	982	2	1,041	(4)	**2,038**	1,954	4
Attributable to bank shareholders	**979**	964	2	1,023	(4)	**2,002**	1,917	4
Attributable to non-controlling interest in subsidiaries	**18**	18	-	18	-	**36**	37	(3)
Adjusted net income	**997**	982	2	1,041	(4)	**2,038**	1,954	4
Common Share Data ($)								
Adjusted earnings per share	**1.46**	1.44	1	1.52	(4)	**2.97**	2.86	4
Financial Measures and Ratios (%)								
Adjusted return on equity	**14.5**	15.4	(0.9)	14.8	(0.3)	**14.7**	15.2	(0.5)
Adjusted revenue growth	**1**	15	nm	3	nm	**2**	12	nm
Adjusted non-interest expense growth	**2**	18	nm	4	nm	**3**	17	nm
Adjusted efficiency ratio	**63.9**	63.2	0.7	63.8	0.1	**63.9**	63.4	0.5
Adjusted operating leverage	**(1.0)**	(3.3)	nm	(0.4)	nm	**(0.8)**	(5.5)	nm
Adjusted net interest margin on earning assets	**1.64**	1.76	(0.12)	1.67	(0.03)	**1.66**	1.81	(0.15)
Adjusted effective tax rate	**20.0**	19.5	0.5	19.9	0.1	**20.0**	21.6	(1.6)
Adjusted provision for credit losses-to-average loans and acceptances (annualized)	**0.18**	0.28	(0.10)	0.16	0.02	**0.17**	0.22	(0.05)
Adjusted net income by operating group								
P&C Canada	**431**	436	(1)	461	(6)	**892**	879	2
P&C U.S.	**168**	157	6	195	(15)	**363**	333	9
Personal and Commercial Banking	**599**	593	1	656	(9)	**1,255**	1,212	4
Private Client Group	**148**	153	(3)	169	(13)	**317**	262	21
BMO Capital Markets	**276**	233	19	310	(11)	**586**	457	28
Corporate Services, including T&O	**(26)**	3	(+100)	(94)	73	**(120)**	23	(+100)
BMO Financial Group adjusted net income	**997**	982	2	1,041	(4)	**2,038**	1,954	4

(1) The above results and statistics are presented on an adjusted basis. These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm - not meaningful

Caution Regarding Forward-Looking Statements

Bank of Montreal's public communications often include written or oral forward-looking statements. Statements of this type are included in this document, and may be included in other filings with Canadian securities regulators or the U.S. Securities and Exchange Commission, or in other communications. All such statements are made pursuant to the "safe harbor" provisions of, and are intended to be forward-looking statements under, the United States Private Securities Litigation Reform Act of 1995 and any applicable Canadian securities legislation. Forward-looking statements may involve, but are not limited to, comments with respect to our objectives and priorities for 2013 and beyond, our strategies or future actions, our targets, expectations for our financial condition or share price, and the results of or outlook for our operations or for the Canadian and U.S. economies.

By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions, forecasts, conclusions or projections will not prove to be accurate, that our assumptions may not be correct and that actual results may differ materially from such predictions, forecasts, conclusions or projections. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic and market conditions in the countries in which we operate; weak, volatile or illiquid capital and/or credit markets; interest rate and currency value fluctuations; changes in monetary, fiscal or economic policy; the degree of competition in the geographic and business areas in which we operate; changes in laws or in supervisory expectations or requirements, including capital, interest rate and liquidity requirements and guidance; judicial or regulatory proceedings; the accuracy and completeness of the information we obtain with respect to our customers and counterparties; our ability to execute our strategic plans and to complete and integrate acquisitions; critical accounting estimates and the effect of changes to accounting standards, rules and interpretations on these estimates; operational and infrastructure risks; changes to our credit ratings; general political conditions; global capital markets activities; the possible effects on our business of war or terrorist activities; disease or illness that affects local, national or international economies; natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply; technological changes; and our ability to anticipate and effectively manage risks associated with all of the foregoing factors.

We caution that the foregoing list is not exhaustive of all possible factors. Other factors could adversely affect our results. For more information, please see the discussion below, which outlines in detail certain key factors that may affect Bank of Montreal's future results. When relying on forward-looking statements to make decisions with respect to Bank of Montreal, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Bank of Montreal does not undertake to update any forward-looking statements, whether written or oral, that may be made from time to time by the organization or on its behalf, except as required by law. The forward-looking information contained in this document is presented for the purpose of assisting our shareholders in understanding our financial position as at and for the periods ended on the dates presented, as well as our strategic priorities and objectives, and may not be appropriate for other purposes.

Effective the first quarter of 2013, our regulatory capital, risk-weighted assets and regulatory capital ratios have been calculated pursuant to the Capital Adequacy Requirement (CAR) Guideline released by the Office of the Superintendent of Financial Institutions (OSFI) in December 2012 to implement the Basel III Accord in Canada. When calculating the pro-forma impact of Basel III on our regulatory capital (including capital deductions and qualifying and grandfathered ineligible capital), risk-weighted assets and regulatory capital ratios in prior periods, we assumed that our interpretation of OSFI's draft implementation guideline of rules and amendments announced by the Basel Committee on Banking Supervision (BCBS), and our models used to assess those requirements, were consistent with the final requirements that would be promulgated by OSFI. We have not recalculated our pro-forma Basel III regulatory capital, risk-weighted assets or capital ratios based on the CAR Guideline and references to Basel III pro-forma items refer to these items as previously estimated.

Assumptions about the level of asset sales, expected asset sale prices, net funding cost, credit quality, risk of default and losses on default of the underlying assets of the structured investment vehicle were material factors we considered when establishing our expectations regarding the structured investment vehicle, including the adequacy of first-loss protection. Key assumptions included that assets will continue to be sold with a view to reducing the size of the structured investment vehicle, under various asset price scenarios, and that the level of default and losses will be consistent with the credit quality of the underlying assets and our current expectations regarding continuing difficult market conditions.

Assumptions about the level of default and losses on default were material factors we considered when establishing our expectations regarding the future performance of the transactions into which our credit protection vehicle has entered. Among the key assumptions were that the level of default and losses on default will be consistent with historical experience. Material factors that were taken into account when establishing our expectations regarding the future risk of credit losses in our credit protection vehicle and risk of loss to Bank of Montreal included industry diversification in the portfolio, initial credit quality by portfolio, the first-loss protection incorporated into the structure and the hedges into which Bank of Montreal has entered.

Assumptions about the performance of the Canadian and U.S. economies, as well as overall market conditions and their combined effect on our business, are material factors we consider when determining our strategic priorities, objectives and expectations for our business. In determining our expectations for economic growth, both broadly and in the financial services sector, we primarily consider historical economic data provided by the Canadian and U.S. governments and their agencies. See the Economic Review and Outlook section of this interim MD&A.

Economic Review and Outlook

The Canadian economy continues to grow modestly, held back by a strong currency, slowing household credit and fiscal policy restraint. Tighter mortgage rules have restrained activity in the housing market, while weak global demand is holding back exports. Although consumer spending and housing activity are expected to grow modestly in 2013, exports should improve as U.S. demand picks up. Business investment is expected to remain healthy, given low commercial real estate vacancy rates and ongoing development of natural resources. Strength in business loan growth should partly offset a slowing in consumer loans and residential mortgages. GDP growth is expected to increase from 1.6% in 2013 to 2.3% in 2014. The unemployment rate is projected to fall to 6.7% in 2014, below the average of the past decade. The Canadian dollar is expected to trade near parity with the U.S. dollar, supported by interest rates that are higher in Canada than in the U.S. The strong currency, together with continued low inflation, should encourage the central bank to keep overnight lending rates at 1% well into next year.

The U.S. economy continues to grow moderately, supported by a pickup in consumer spending, strength in residential construction and continued growth in business investment. A reduction in federal government spending likely slowed economic growth in the second quarter; however, improved household finances, the continued housing market recovery and pent-up demand for motor vehicles should lead to stronger growth in the second half of the year. The shale-energy renaissance will continue to support economic activity in a number of states including North Dakota, Texas and Pennsylvania. GDP growth is projected to increase from 2.2% in 2013 to 3.2% in 2014. The unemployment rate is expected to decline from 7.4% in 2013 to 6.7% in 2014, the lowest rate in five years. Nonetheless, the Federal Reserve is expected to maintain a near-zero interest-rate policy for two more years, while continuing to purchase fixed-income securities in 2013 to hold down long-term interest rates.

The U.S. Midwest economy is growing in line with the national average, supported by rising automotive production and, indirectly, the resurgent energy sector. The Midwest economy is expected to strengthen this year as the housing recovery progresses and the agricultural industry rebounds from last year's drought. In addition, an expected pickup in global demand should support manufacturing.

This Economic Review and Outlook section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Other Value Measures

BMO's average annual total shareholder returns for the one-year, three-year and five-year periods ending April 30, 2013, were 13.0%, 4.9% and 10.5%, respectively.

Foreign Exchange

The Canadian dollar equivalents of BMO's U.S.-dollar-denominated net income, revenues, expenses, provisions for credit losses and income taxes were increased relative to the first quarter of 2013, the second quarter of 2012 and the current year to date by the strengthening of the U.S. dollar. The average Canadian/U.S. dollar exchange rate for the quarter, expressed in terms of the Canadian dollar cost of a U.S. dollar, increased by 2.7% from a year ago and 2.3% from the average of the first quarter. The average rate for the year to date was essentially unchanged from a year ago. The following table indicates the relevant average Canadian/U.S. dollar exchange rates and the impact of changes in the rates.

Effects of U.S. Dollar Exchange Rate Fluctuations on BMO's Results — Table 3

(Canadian $ in millions, except as noted)	Q2-2013 vs Q2-2012	Q2-2013 vs Q1-2013	YTD-2013 vs YTD-2012
Canadian/U.S. dollar exchange rate (average)			
Current period	1.0180	1.0180	1.0064
Prior period	0.9917	0.9953	1.0026
Effects on reported results			
Increased (decreased) net interest income	22	19	5
Increased (decreased) non-interest revenue	10	9	1
Increased (decreased) revenues	32	28	6
Decreased (increased) expenses	(23)	(20)	(6)
Decreased (increased) provision for credit losses	-	-	-
Decreased (increased) income taxes	(1)	(1)	(1)
Increased (decreased) net income	8	7	(1)
Effects on adjusted results			
Increased (decreased) net interest income	18	15	5
Increased (decreased) non-interest revenues	10	9	1
Increased (decreased) revenues	28	24	6
Decreased (increased) expenses	(21)	(18)	(6)
Decreased (increased) provision for credit losses	1	1	-
Decreased (increased) income taxes	-	-	(1)
Increased (decreased) adjusted net income	8	7	(1)

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Net Income

Q2 2013 vs Q2 2012

Net income was $975 million for the second quarter of 2013, down $53 million or 5% from a year ago. Earnings per share were $1.42, down 6% from $1.51 a year ago.

Adjusted net income was $997 million, up $15 million or 2% from a year ago. Adjusted earnings per share were $1.46, up 1% from $1.44 a year ago. Adjusted results and items excluded in determining adjusted results are disclosed in detail in the preceding Adjusted Net Income section and in the Non-GAAP Measures section, together with comments on the uses and limitations of such measures.

On an adjusted basis, there were modest increases in revenue and expense, and reduced provisions for credit losses. There was strong growth in BMO Capital Markets, with a significant increase in revenue from interest rate activities, as well as higher corporate banking revenue. PCG, excluding Insurance, posted strong results with net income up 14% due to growth in new client assets and market appreciation, and a continued focus on productivity. PCG's overall results were lower due to the impact of a decline in long-term interest rates that lowered Insurance revenues. P&C U.S. adjusted net income also improved from a year ago, due to the benefits of reduced expenses and lower provisions for credit losses. P&C Canada net income was lower with the effects of strong volume growth across most products and lower provisions for credit losses being offset by the impact of reduced net interest margin. Corporate Services adjusted results were lower than a year ago due to lower revenues, partially offset by reduced expenses.

Q2 2013 vs Q1 2013

Net income decreased $73 million or 7% from a strong first quarter, and earnings per share decreased $0.11 or 7%. Adjusted net income decreased $44 million or 4% and adjusted earnings per share decreased $0.06 or 4%.

Results were lower than in the first quarter primarily due to lower revenue, partially mitigated by reduced expenses. Revenue decreased as a result of three fewer days in the current quarter and lower BMO Capital Markets revenue, compared to the levels of a very strong first quarter. P&C Canada net income decreased due to the impact of fewer days in the current quarter and higher provisions for credit losses. P&C U.S. adjusted net income decreased from a very strong first quarter that reflected high revenue on sales of newly originated mortgages and commercial lending fees, due to customers' response to anticipated U.S. tax changes that accelerated commercial borrowing, as well as high credit recoveries. Results in the current quarter were lowered by the impact of three fewer days. PCG results were lowered by the unfavourable impact of a decline in long-term interest rates relative to the prior quarter but increased, excluding Insurance, due to higher revenues from fee-based products and increased brokerage transactions. BMO Capital Markets net income was lower due to very strong first quarter investment banking revenue, primarily merger and acquisition fees. Corporate Services adjusted results improved due to reduced expenses, more favourable recoveries of credit losses on the M&I purchased credit impaired loan portfolio and higher revenues.

Q2 YTD 2013 vs Q2 YTD 2012

Net income decreased $114 million or 5% to $2,023 million. Earnings per share were $2.95, down $0.19 or 6% from a year ago. Adjusted net income increased $84 million or 4% to $2,038 million and adjusted earnings per share were $2.97, up $0.11 or 4% from a year ago. On an adjusted basis, there was strong growth in BMO Capital Markets and PCG, good growth in P&C U.S., and a more modest increase in P&C Canada. Adjusted net income in Corporate Services was lower relative to the same period a year ago.

This section contains adjusted results and measures which are non-GAAP. Please see the Non-GAAP Measures section.

Revenue

Total revenue of $3,944 million decreased $15 million from the second quarter last year. Adjusted revenue increased $32 million or 1% to $3,759 million. There was good growth in BMO Capital Markets, due to a significant increase in revenue from interest rate activities, as well as higher corporate banking revenue. There were also increases in PCG, as revenue growth in the wealth businesses was only partly offset by reduced Insurance revenue. P&C Canada revenues were consistent with the prior year as the effects of strong volume growth across most products were offset by the impact of lower net interest margin. P&C U.S. revenues decreased 4% on a U.S. dollar basis, as the effects of increased commercial lending fees and strong commercial loan growth were more than offset by reductions in certain loan portfolios, net interest margin and deposit fees. Corporate Services' adjusted revenues decreased, due to a higher taxable equivalent basis (teb) group offset in the current quarter and lower revenue from a variety of items, none of which were individually significant. The stronger U.S. dollar increased adjusted revenue growth by $28 million.

Revenue decreased $137 million or 3% from the first quarter. Adjusted revenue decreased $102 million or 3%. There were lower revenues in both P&C Canada and P&C U.S. due to fewer days in the second quarter as well as reduced margins. In the first quarter, P&C U.S. had high revenue on sales of newly originated mortgages and strong commercial lending fees. Revenue decreased in BMO Capital Markets, compared to very strong investment banking revenue, primarily merger and acquisition fees, in the first quarter. Revenue in PCG declined due to unfavourable movements in long-term interest rates relative to the first quarter. Adjusted revenues increased in Corporate Services from a variety of items, none of which were individually significant. The stronger U.S. dollar increased adjusted revenue growth by $24 million.

Revenue for the year to date decreased $51 million or 1% and adjusted revenue increased $150 million or 2%. There was growth in BMO Capital Markets, driven by increases in trading revenues and investment banking fees, and in PCG, due to higher revenues from fee-based products and recent acquisitions. P&C Canada revenues increased modestly, with the effects of higher balance and fee volumes across most products largely offset by the impact of lower net interest margin. There was a reduction in Corporate Services adjusted revenues, due to a higher group teb offset and lower revenue from a variety of items, none of which were individually significant. P&C U.S. revenue decreased moderately as the benefit of increased commercial loans and fees and higher gains on the sale of newly originated mortgages were more than offset by the effect of lower net interest margin. The stronger U.S. dollar increased adjusted revenue growth by $6 million.

Changes in net interest income and non-interest revenue are reviewed in the sections that follow.

This section contains adjusted results and measures, which are non-GAAP. Please see the Non-GAAP Measures section.

Net Interest Income

Net interest income decreased $22 million or 1% from a year ago to $2,098 million in the second quarter of 2013. Adjusted net interest income excludes amounts for the recognition of a portion of the credit mark on the M&I purchased performing loan portfolio. Adjusted net interest income decreased $46 million or 2% to $1,923 million.

Average earning assets in the second quarter of 2013 increased $25 billion or 5% relative to a year ago, including a $5 billion increase as a result of the stronger U.S. dollar. There was strong growth in P&C Canada and PCG, with moderate growth in P&C U.S. and BMO Capital Markets and a reduction in Corporate Services. P&C U.S. average earning assets increased US$0.9 billion or 2% primarily driven by strong commercial loan growth, partially offset by expected decreases in certain loan portfolios and personal loan balances.

Adjusted net interest margin decreased by 12 basis points to 1.64%. Changes are discussed in the Review of Operating Groups' Performance section.

Relative to the first quarter, net interest income decreased $118 million or 5%. Adjusted net interest income decreased $81 million or 4%, in part due to three fewer days in the current quarter. Adjusted net interest margin decreased 3 basis points.

Average earning assets increased $5 billion or 1% from the first quarter, of which $4 billion related to the stronger U.S. dollar. There were increases in each of the operating groups with a slight reduction in Corporate Services.

BMO's overall net interest margin decreased on a reported basis by 6 basis points from the first quarter.

Year to date, net interest income decreased $124 million or 3%. Adjusted net interest income decreased $134 million or 3% to $3,927 million, due to lower net interest margin.

Average earning assets for the year to date increased $26 billion or 6%, including a $1 billion increase as a result of a stronger U.S. dollar. There was strong growth in P&C Canada and PCG with moderate increases in the other operating groups, including P&C U.S., and a reduction in Corporate Services. P&C U.S. average earning assets increased by US$0.8 billion or 1% from the prior year primarily due to strong commercial loan growth, partially offset by expected decreases in certain loan portfolios and personal loan balances.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures.

Adjusted Net Interest Margin on Earning Assets (teb)*								Table 4
(In basis points)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
P&C Canada	**259**	283	(24)	265	(6)	**262**	287	(25)
P&C U.S.	**417**	439	(22)	421	(4)	**419**	443	(24)
Personal and Commercial Banking	**301**	325	(24)	305	(4)	**303**	330	(27)
Private Client Group	**286**	300	(14)	290	(4)	**288**	342	(54)
BMO Capital Markets	**61**	66	(5)	59	2	**60**	64	(4)
Corporate Services, including T&O**	**nm**	nm	nm	nm	nm	**nm**	nm	nm
Total BMO adjusted net interest margin (1)	**164**	176	(12)	167	(3)	**166**	181	(15)
Total BMO reported net interest margin	**179**	189	(10)	185	(6)	**182**	197	(15)
Total Canadian Retail (reported and adjusted)***	**258**	282	(24)	265	(7)	**261**	287	(26)

* Net interest margin is disclosed and computed with reference to average earning assets, rather than total assets. This basis provides a more relevant measure of margins and changes in margins. Operating group margins are stated on a taxable equivalent basis (teb) while total BMO margin is stated on a GAAP basis.
** Corporate Services adjusted net interest income is negative in all periods and its variability affects changes in net interest margin.
*** Total Canadian retail margin represents the net interest margin of the combined Canadian businesses of P&C Canada and Private Client Group.
(1) These are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm - not meaningful

Non-Interest Revenue

Non-interest revenue increased $7 million from the second quarter a year ago to $1,846 million. Adjusted non-interest revenue increased $78 million or 4% to $1,836 million. Adjusting items in non-interest revenue relate to the run-off of structured credit activities, which are reflected in trading revenues recorded in Corporate Services. There was an improvement in adjusted trading revenues, primarily due to increased revenue from interest rate activities. There was good growth in mutual fund revenues and lending fees. There were declines in Insurance revenues, primarily due to unfavourable movements in long-term interest rates, and underwriting and advisory fees, due to lower new issuance volumes in the current quarter and the closing of several particularly large advisory transactions in the prior year.

Relative to the first quarter, non-interest revenue decreased $19 million or 1%, and adjusted non-interest revenue decreased $21 million or 1%. Underwriting, lending and advisory fees declined from the high levels of the first quarter. Insurance revenues were appreciably lower, primarily due to unfavourable movements in long-term interest rates relative to the prior quarter. The above reductions were offset in part by increases in most other types of non-interest revenue.

Year to date, non-interest revenue increased $73 million or 2% to $3,711 million. Adjusted non-interest revenue increased $284 million or 8% to $3,693 million. There was strong growth in trading revenues, mutual fund revenues, lending fees including fees in the U.S. business, and underwriting and advisory fees.

Non-interest revenue is detailed in the unaudited interim consolidated financial statements.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Non-Interest Expense

Non-interest expense increased $69 million or 3% from the second quarter a year ago to $2,568 million. Adjusted non-interest expense increased $45 million or 2% to $2,402 million primarily due to higher employee-related costs including higher revenue-based costs in select businesses, in line with revenue growth, increased operating costs due to recent acquisitions and select initiative spending. These factors were partially offset by savings from a continued focus on productivity. The stronger U.S. dollar increased adjusted expense growth by $21 million or 1%.

Relative to the first quarter, non-interest expense decreased $22 million or 1%. Adjusted non-interest expense decreased $62 million or 2%, primarily due to fewer days and employee compensation costs in respect of employees that are eligible to retire, which are expensed each year in the first quarter. These factors were partially offset by increased professional fees, and communication and premises costs. The stronger U.S. dollar increased adjusted expense growth by $18 million or 1%.

Year-over-year operating leverage on a reported basis was negative 3.2% and adjusted operating leverage was negative 1.0%. Adjusted quarter-over-quarter operating leverage was essentially break even.

Non-interest expense for the year to date increased $105 million or 2% to $5,158 million. Adjusted non-interest expense increased $131 million or 3% to $4,866 million, primarily due to higher employee-related costs including higher performance-based compensation, in line with higher revenues in select businesses. The stronger U.S. dollar increased adjusted expense growth by $6 million.

Non-interest expense is detailed in the unaudited interim consolidated financial statements.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Risk Management

Our risk management practices and key measures have not changed significantly from those outlined on pages 75 to 92 of BMO's 2012 annual MD&A.

Provisions for Credit Losses

Q2 2013 vs Q2 2012

The provision for credit losses (PCL) was $145 million, a decrease of $50 million from the prior year. Adjusted PCL was $110 million, a decrease of $41 million. The majority of the decrease in adjusted PCL was due to lower provisions in P&C Canada and BMO Capital Markets.

P&C Canada provisions decreased by $13 million due to a decrease in provisions in the consumer portfolio. P&C U.S. provisions decreased by $5 million, primarily reflecting better credit quality across all retail portfolios, partially offset by higher provisions on commercial loans. In BMO Capital Markets, provisions declined by $25 million due to a combination of higher recoveries of previously written-off amounts, coupled with elevated provisions in the prior year primarily due to a single large account. Corporate Services provisions were relatively stable year over year.

Q2 2013 vs Q1 2013

The PCL of $145 million decreased $33 million from the prior quarter. Adjusted PCL of $110 million was up $14 million from the prior quarter mainly due to higher provisions in P&C Canada and P&C U.S., partially offset by higher recoveries related to the purchased credit impaired loan portfolio. Adjusting items this quarter included a $65 million specific provision on the M&I purchased performing loan portfolio and a $30 million reduction in the collective allowance, of which $8 million was related to the M&I purchased performing loan portfolio.

P&C Canada provisions increased by $26 million, with the bulk of the increase in the commercial portfolio, primarily due to a higher provision related to one account. P&C U.S. provisions increased by $23 million from the unusually low levels of the prior quarter, with the majority of the increase in the commercial portfolio, due to higher recoveries in the prior quarter. BMO Capital Markets recoveries decreased by $9 million, due to a large recovery related to a single account that was realized last quarter. Corporate Services adjusted provisions reflect a $48 million increase in recoveries related to the purchased credit impaired loan portfolio.

Provision for Credit Losses **Table 5**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q1-2013	Q2-2012	**YTD-2013**	YTD-2012
New specific provisions	**407**	418	458	**825**	870
Reversals of previously established allowances	**(49)**	(82)	(66)	**(131)**	(133)
Recoveries of loans previously written-off	**(183)**	(158)	(197)	**(341)**	(420)
Specific provision for credit losses	**175**	178	195	**353**	317
Increase (decrease) in collective allowance	**(30)**	-	-	**(30)**	19
Provision for credit losses (PCL)	**145**	178	195	**323**	336
Adjusted provision for credit losses (1)	**110**	96	151	**206**	242
PCL as a % of average net loans and acceptances (annualized) (2)	**0.22**	0.28	0.32	**0.25**	0.28
PCL as a % of average net loans and acceptances excluding purchased portfolios (annualized) (2) (3)	**0.31**	0.29	0.46	**0.30**	0.47
Specific PCL as a % of average net loans and acceptances (annualized)	**0.27**	0.28	0.32	**0.27**	0.26
Adjusted specific PCL as a % of average net loans and acceptances (annualized) (1)	**0.18**	0.16	0.28	**0.17**	0.22

(1) Adjusted provision for credit losses excludes provisions related to the M&I purchased performing loan portfolio and changes in the collective allowance.
(2) Certain ratios for 2012 have been restated to conform to the reclassified balance sheet presentation.
(3) Ratio is presented excluding purchased portfolios, to provide for better historical comparisons.
This table contains adjusted results and measures which are Non-GAAP. Please see the Non-GAAP Measures section.

Provision for Credit Losses by Operating Group (1) **Table 6**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q1-2013	Q2-2012	**YTD-2013**	YTD-2012
P&C Canada	**154**	128	167	**282**	322
P&C U.S.	**55**	32	60	**87**	123
Personal and Commercial Banking	**209**	160	227	**369**	445
Private Client Group	**1**	2	1	**3**	6
BMO Capital Markets	**(6)**	(15)	19	**(21)**	10
Corporate Services, including T&O (2) (3)					
Impaired real estate loan portfolio	**13**	8	21	**21**	40
Purchased Credit Impaired Loans	**(107)**	(59)	(117)	**(166)**	(259)
Adjusted provision for credit losses	**110**	96	151	**206**	242
Specific provisions on purchased performing loans (3)	**65**	82	44	**147**	75
Change in collective allowance	**(30)**	-	-	**(30)**	19
Provision for credit losses	**145**	178	195	**323**	336

(1) Effective Q1–2013, provisions related to the interest on impaired loans are allocated to the operating groups and prior periods have been restated accordingly.
(2) Corporate Services includes the provision for credit losses in respect of loans transferred from P&C U.S. to Corporate Services in Q3-2011.
(3) Provisions for the purchased performing and credit impaired loan portfolios are reported under Corporate Services.
This table contains adjusted results or measures which are Non-GAAP. Please see the Non-GAAP Measures section.

Impaired Loans

Total gross impaired loans were $2,848 million at the end of the current quarter, down from $2,912 million in the first quarter of 2013 and up slightly from $2,837 million a year ago. The stronger U.S. dollar raised gross impaired loans by $20 million relative to the first quarter of 2013 and $38 million relative to a year ago. Included in the amount above at the end of the quarter was $1,062 million of gross impaired loans related to acquired portfolios, of which $142 million is subject to a loss-sharing agreement with the Federal Deposit Insurance Corporation that expires in 2015 for commercial loans and in 2020 for retail loans.

Impaired loan formations (excluding the M&I purchased performing loan portfolio) totalled $347 million in the current quarter, down from $355 million in the first quarter of 2013 and $455 million a year ago. Impaired loan formations related to the M&I purchased performing loan portfolio were $248 million in the current quarter, compared with $275 million in the first quarter of 2013 and $444 million a year ago.

Changes in Gross Impaired Loans and Acceptances (GIL) (1) — **Table 7**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q1-2013	Q2-2012	**YTD-2013**	YTD-2012
GIL, beginning of period	**2,912**	2,976	2,657	**2,976**	2,685
Additions to impaired loans and acceptances	**595**	630	899	**1,225**	1,523
Reductions in impaired loans and acceptances (2)	**(443)**	(459)	(427)	**(902)**	(806)
Write-offs (3)	**(216)**	(235)	(292)	**(451)**	(565)
GIL, end of period	**2,848**	2,912	2,837	**2,848**	2,837
GIL as a % of gross loans and acceptances (4)	**1.08**	1.12	1.16	**1.08**	1.16
GIL as a % of gross loans and acceptances excluding purchased portfolios (4) (5)	**0.73**	0.80	0.96	**0.73**	0.96
GIL as a % of equity and allowances for credit losses	**8.80**	8.98	9.34	**8.80**	9.34
GIL as a % of equity and allowances for credit losses excluding purchased portfolios (5)	**5.56**	5.96	7.07	**5.56**	7.07

(1) GIL excludes purchased credit impaired loans.
(2) Includes impaired amounts returned to performing status, loan sales, repayments, the impact of foreign exchange fluctuations and effects for consumer write-offs which have not been recognized in formations.
(3) Excludes certain loans that are written-off directly and not classified as new formations ($92 million in Q2-2013; $91 million in Q1-2013; and $106 million in Q2-2012).
(4) Certain ratios for 2012 have been restated to conform to the reclassified balance sheet presentation.
(5) Ratio is presented excluding purchased portfolios, to provide for better historical comparisons.

This table contains adjusted results and measures which are non-GAAP. Please see the Non-GAAP Measures section.

Real Estate Secured Lending

Residential mortgage and home equity line of credit (HELOC) exposures are areas of interest in the current environment. BMO regularly performs stress testing on its mortgage and HELOC portfolios to evaluate the potential impact of tail events. These stress tests incorporate moderate to severe adverse scenarios. The resulting credit losses vary depending on the severity of the scenario and are considered to be manageable.

In 2012 new residential real estate lending rules were introduced for federally regulated lenders in Canada including restrictions on loan-to-value (LTV) for revolving HELOCs, waiver of confirmation of income, debt service ratio maximums, as well as maximum amortization of 25 years and maximum home value of $1 million for high ratio insured mortgages (LTV greater than 80%). The regulatory changes resulted in some adjustments to loan underwriting practices including reducing the maximum LTV on revolving HELOCs to 65% from 80% previously.

Market Risk

Total Trading Value at Risk (VaR) decreased slightly over the quarter as a result of lower credit exposure in fixed income businesses and reduced foreign exchange exposures. The available-for-sale (AFS) VaR decrease was primarily the result of reduced asset holdings.

Total Trading Stressed VaR increased modestly with additional interest rate risk offset by reductions in both credit and foreign exchange exposures, broadly reflective of the changes in Total Trading VaR for the quarter.

There were no significant changes in our structural market risk management practices during the quarter. Structural Market Value Exposure (MVE) is driven by rising interest rates and primarily reflects a lower market value for fixed-rate loans. Structural Earnings Volatility (EV) is driven by falling interest rates and primarily reflects the risk of prime-based loans repricing at lower rates. MVE and economic value exposures under rising interest rate scenarios increased from the prior quarter primarily due to higher mortgage commitment volumes, increased customer preferences for fixed-rate mortgages and loans, and book capital growth. Changes from the prior quarter in EV and earnings exposures under falling interest rate scenarios were modest. BMO's market risk management practices and key measures are outlined on pages 82 to 86 of BMO's 2012 Annual Report.

Total Trading Value at Risk (VaR) Summary ($ in millions)* **Table 8**

(Pre-tax Canadian equivalent)	For the quarter ended April 30, 2013 Quarter-end	Average	High	Low	As at January 31, 2013 Quarter-end	As at October 31, 2012 Quarter-end
Commodity VaR	**(0.3)**	**(0.4)**	**(0.9)**	**(0.2)**	(0.5)	(0.6)
Equity VaR	**(5.9)**	**(5.4)**	**(6.9)**	**(4.4)**	(5.2)	(6.6)
Foreign Exchange VaR	**(1.0)**	**(1.8)**	**(2.6)**	**(1.0)**	(2.8)	(0.2)
Interest Rate VaR	**(5.4)**	**(4.7)**	**(7.2)**	**(2.8)**	(3.7)	(4.5)
Credit VaR	**(4.4)**	**(5.2)**	**(6.6)**	**(4.3)**	(5.4)	(5.5)
Diversification	**9.7**	**9.9**	**nm**	**nm**	9.3	6.7
Total Trading VaR	**(7.3)**	**(7.6)**	**(9.1)**	**(6.7)**	(8.3)	(10.7)
Total AFS VaR	**(7.4)**	**(10.3)**	**(12.2)**	**(7.2)**	(11.8)	(8.9)

* Total Trading VaR above is subject to BMO Capital Markets trading management framework.
nm - not meaningful

Total Trading Stressed Value at Risk (VaR) summary ($ in millions)* **Table 9**

(Pre-tax Canadian equivalent)	For the quarter ended April 30, 2013 Quarter-end	Average	High	Low	As at January 31, 2013 Quarter-end	As at October 31, 2012 Quarter-end
Commodity Stressed VaR	**(1.9)**	**(2.3)**	**(4.0)**	**(1.2)**	(1.8)	(2.1)
Equity Stressed VaR	**(10.0)**	**(7.9)**	**(10.1)**	**(6.2)**	(8.9)	(10.5)
Foreign Exchange Stressed VaR	**(2.0)**	**(3.9)**	**(6.3)**	**(2.0)**	(4.8)	(0.3)
Interest Rate Stressed VaR	**(10.2)**	**(11.0)**	**(15.3)**	**(7.2)**	(8.4)	(11.4)
Credit Stressed VaR	**(9.4)**	**(10.2)**	**(11.8)**	**(9.4)**	(10.5)	(9.3)
Diversification	**20.2**	**22.3**	**nm**	**nm**	21.6	18.9
Trading Stressed VaR	**(13.3)**	**(13.0)**	**(15.8)**	**(11.2)**	(12.8)	(14.7)

* Stressed VaR is produced weekly.
nm - not meaningful

Structural Balance Sheet Market Value Exposure (MVE) and Earnings Volatility (EV) ($ in millions)* **Table 10**

(Canadian equivalent)	April 30, 2013	January 31, 2013	October 31, 2012
Market value exposure (MVE) (pre-tax)	**(634.8)**	(546.6)	(590.6)
12-month earnings volatility (EV) (after-tax)	**(64.7)**	(68.7)	(74.0)

* Losses are in brackets. Measured at a 99% confidence interval.

Structural Balance Sheet Earnings and Value Sensitivity to Changes in Interest Rates ($ in millions)* ** **Table 11**

(Canadian equivalent)	Economic value sensitivity (Pre-tax) April 30, 2013	January 31, 2013	October 31, 2012	Earnings sensitivity over the next 12 months (After tax) April 30, 2013	January 31, 2013	October 31, 2012
100 basis point increase	**(633.7)**	(542.4)	(537.6)	**57.5**	52.1	20.1
100 basis point decrease	**404.0**	401.5	402.9	**(42.4)**	(55.1)	(74.6)
200 basis point increase	**(1,403.8)**	(1,206.5)	(1,223.1)	**90.2**	83.1	27.2
200 basis point decrease	**594.1**	789.1	783.6	**(56.4)**	(45.3)	(75.1)

* Losses are in brackets and benefits are presented as positive numbers.
** For BMO's Insurance businesses, a 100 basis point increase in interest rates at April 30, 2013, results in an increase in earnings after tax of $102 million and an increase in before tax economic value of $528 million ($96 million and $497 million, respectively, at January 31, 2013; $94 million and $560 million, respectively, at October 31, 2012). A 100 basis point decrease in interest rates at April 30, 2013, results in a decrease in earnings after tax of $83 million and a decrease in before tax economic value of $616 million ($80 million and $575 million, respectively, at January 31, 2013; $74 million and $634 million, respectively, at October 31, 2012). These impacts are not reflected in the table above.

Liquidity and Funding Risk

Liquidity and funding risk is managed under a robust management framework. There were no material changes in the framework during the quarter.

BMO's liquid assets are primarily held in our trading businesses and in supplemental liquidity pools that are maintained for contingency purposes. Liquid assets include high-quality assets that are marketable, can be pledged as security for borrowings and can be converted to cash in a time frame that meets our liquidity and funding requirements. As at April 30, 2013, BMO owned liquid assets were $176 billion, compared with $175 billion as at January 31, 2013. The slight increase in liquid assets from January 31, 2013, was primarily attributable to an increase in cash on deposit at central banks, partially offset by a decrease in securities. BMO's cash and securities as a percentage of total assets was 30.1% as at April 30, 2013, compared with 30.6% as at January 31, 2013.

Liquid assets are primarily held at the parent bank level, in our U.S. legal entity BMO Harris Bank and in BMO's broker/dealer operations in Canada and internationally. In some cases, a portion of those liquid assets have been pledged by certain entities to others in exchange for funding.

In the ordinary course of the bank's day-to-day business activities, BMO may pledge certain cash and security holdings as collateral to support its trading activities and participation in clearing and payment systems. In addition, BMO may receive highly liquid assets as collateral and may re-pledge these assets in exchange for cash or as collateral for trading activities. Net unencumbered liquid assets, defined as BMO owned cash and securities plus eligible collateral received less collateral encumbered, totalled $161 billion at April 30, 2013, compared with $158 billion at January 31, 2013. BMO may also pledge mortgage and loan assets to raise secured long-term funding.

Our funding philosophy requires that secured and unsecured wholesale funding used to support loans and less liquid assets be longer term (typically maturing in two to ten years) to better match the term to maturity for these assets. Wholesale secured and unsecured funding for liquid trading assets is generally shorter term (maturing in less than one year), aligned with the liquidity of the assets being funded, subject to haircuts applied to assets in order to reflect the potential for lower market values during times of market stress. Supplemental liquidity pools are funded with a mix of wholesale term funding to prudently balance the benefits of holding supplemental liquid assets against the cost of funding.

Diversification of our wholesale funding sources is an important part of our overall liquidity management strategy. During the second quarter, BMO issued $4.9 billion of wholesale term funding in Canada and internationally. Total wholesale term funding outstanding was $77.0 billion at April 30, 2013, compared with $74.6 billion at January 31, 2013. The increase was used to refinance upcoming wholesale term funding maturities and fund net asset growth. The bank expects to continue accessing the wholesale term funding markets in 2013, primarily to refinance wholesale term funding maturities and net asset growth that may occur over the course of the year.

BMO's liquidity and funding management practices and key measures are outlined on pages 86 to 88 of BMO's 2012 annual Report.

Asset Liquidity **Table 12**

(Canadian $ in millions, except as noted)	April 30, 2013				January 31, 2013			
	BMO Owned Assets	**Cash & Securities Received**	**Encumbered (1)**	**Net Unencumbered**	BMO Owned Assets	Cash & Securities Received	Encumbered (1)	Net Unencumbered
Liquid Assets								
Cash and securities								
Cash and cash equivalents	**38,446**	**-**	**2,257**	**36,189**	31,519	-	2,161	29,358
Interest bearing deposits with banks	**6,230**	**-**	**-**	**6,230**	6,149	-	-	6,149
Securities								
Government debt	**56,673**	**61,588**	**67,412**	**50,849**	63,921	54,767	64,577	54,111
Mortgage-backed securities and collateralized mortgage obligations	**7,787**	**1,827**	**2,111**	**7,503**	7,209	3,092	3,477	6,824
Corporate debt	**21,341**	**2,198**	**3,309**	**20,230**	22,666	2,159	3,362	21,463
Corporate equity (2)	**36,655**	**28,732**	**33,977**	**31,410**	34,566	24,232	26,949	31,849
Total securities	**122,456**	**94,345**	**106,809**	**109,992**	128,362	84,250	98,365	114,247
Total cash and securities (3)	**167,132**	**94,345**	**109,066**	**152,411**	166,030	84,250	100,526	149,754
NHA mortgage-backed securities (reported as loans at amortized cost) (4)	**8,549**	**-**	**-**	**8,549**	8,484	-	-	8,484
Total Liquid assets	**175,681**	**94,345**	**109,066**	**160,960**	174,514	84,250	100,526	158,238

Bank-Owned Liquid Assets by Legal Entity

(Canadian $ in millions)	April 30, 2013	January 31, 2013
BMO	**102,543**	106,795
BMO Harris Bank	**36,510**	31,177
Broker dealers	**36,628**	36,542
Total Bank-Owned Liquid Assets	**175,681**	174,514

The bank also pledged mortgages and loans totalling $42.6 billion as at April 30, 2013 ($40.9 billion as at January 31, 2013), in support of raising long-term secured funding. Total on- and off-balance sheet pledged and encumbered assets total $151.6 billion as at April 30, 2013 ($141.4 billion as at January 31, 2013).

(1) Encumbrance refers to the portion of BMO owned assets and cash and securities received that is pledged or encumbered through repurchase agreements, securities lent, derivative contracts, minimum required deposits at central banks, requirements associated with participation in clearing houses and payment systems and short sales.

(2) Corporate equity balances are largely hedged.

(3) Total cash and securities also includes select holdings management believes are not readily available to support the liquidity requirements of the bank. These holdings total $9.9 billion, which includes securities held in BMO's insurance subsidiary, structured investment vehicle, credit protection vehicle and certain investments held in our merchant banking business.

(4) Under IFRS, NHA MBS that include BMO originated mortgages as the underlying collateral are classified as loans. Unencumbered NHA MBS securities have liquidity value and are included as liquid assets under the bank's liquidity and funding management framework.

Credit Rating

The credit ratings assigned to BMO's short-term and senior long-term debt securities by external rating agencies are important in the raising of both capital and funding to support our business operations. Maintaining strong credit ratings allows us to access the capital markets at competitive pricing levels. Should our credit ratings experience a material downgrade, our cost of funds would likely increase significantly and our access to funding and capital through capital markets could be reduced. A material downgrade of our ratings could have other consequences, including those set out in Note 10 to the audited consolidated financial statements on page 143 of BMO's 2012 Annual Report.

The credit ratings assigned to BMO's senior debt by the rating agencies are indicative of high-grade, high-quality issues. The ratings are as follows: DBRS (AA); Fitch (AA-); Moody's (Aa3); and Standard & Poor's (S&P) (A+).

We are required to deliver collateral to certain counterparties in the event of a downgrade to our current credit risk rating. The incremental collateral required is based on mark-to-market exposure, collateral valuations and collateral threshold arrangements, as applicable. As at April 30, 2013, the bank would be required to provide additional collateral to counterparties totalling $0.8 billion and $1.1 billion under a one-notch and two-notch downgrade, respectively.

Insurance Risk

There were no significant changes in the risk management practices or risk levels of our insurance business during the quarter. BMO's insurance risk management practices are outlined on page 89 of BMO's 2012 Annual Report.

Information Management and Security Risk

As described in the Operational and Infrastructure Risks section of our annual MD&A, information security risks for financial institutions like BMO have increased in recent years. Our operations include online and mobile financial services that feature the secure processing, transmission and storage of confidential information. Given our use of the Internet and reliance on digital technologies, we face cyber security risks, which could include (i) information security risk such as threats of hacking, identity theft and corporate espionage; and (ii) denial of service risk such as threats targeted at causing system failure and service disruption. BMO maintains systems and procedures to prevent, monitor, react to and manage cyber security threats. It is possible that we, or those with whom we do business, may not anticipate or implement effective measures against all such security threats because the techniques used change frequently and can originate from a wide variety of sources, which have become increasingly sophisticated. In the event of such an occurrence, BMO may experience losses or reputational damage.

Derivative Transactions

As discussed in the Select Financial Instruments section, the Enhanced Disclosure Task Force has recommended enhanced disclosures in a numbers of areas including counterparty credit risk arising from derivative transactions. With limited exceptions, we utilize the International Swaps and Derivatives Association (ISDA) Master Agreement to document our contractual trading relationships for over-the-counter (OTC) derivatives with our counterparties. ISDA Master Agreements set out the legal framework and standard terms that apply to all the derivative transactions entered into bilaterally between the parties. In addition to providing “Events of Default” and “Termination Events”, which can lead to the early termination of transactions prior to their maturity date, ISDA Master Agreements also contain rules for the calculation and netting of terminations values (also known as “Close-out Amounts”) for transactions between counterparties to produce a single net aggregate amount payable by one party to the other.

Credit Support Annexes (CSAs) are commonly included with ISDA Master Agreements to provide for the exchange of collateral between the parties where one party’s OTC derivatives exposure to the other party exceeds an agreed amount (Threshold). The purpose of collateralization is to mitigate counterparty credit risk. Collateral can be exchanged as initial margin and/or variation margin. CSAs outline, among other things, provisions setting out acceptable collateral types (e.g. government treasuries and cash) and how they will be valued (haircuts are often applied to the market values), as well as Thresholds, whether or not the collateral can be re-pledged by the recipient and how interest is calculated.

Caution

This Risk Management section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Income Taxes

The provision for income taxes of $256 million increased $19 million from the second quarter of 2012 and decreased $9 million from the first quarter of 2013. The effective tax rate for the quarter was 20.8%, compared with 18.7% a year ago and 20.2% in the first quarter.

The adjusted provision for income taxes of $250 million increased $13 million from a year ago and decreased $10 million from the first quarter. The adjusted effective tax rate was 20.0% in the current quarter, compared with 19.5% in the second quarter of 2012 and 19.9% in the first quarter of 2013. The adjusted tax rate is computed using adjusted net income rather than net income in the determination of income subject to tax.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Summary Quarterly Earnings Trends (1) — **Table 13**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q1-2013	Q4-2012	Q3-2012	Q2-2012	Q1-2012	Q4-2011	Q3-2011
Total revenue	**3,944**	4,081	4,176	3,878	3,959	4,117	3,822	3,320
Provision for credit losses – specific (see below)	**175**	178	216	229	195	122	299	245
Provision for credit losses – collective	**(30)**	-	(24)	8	-	19	63	(15)
Non-interest expense	**2,568**	2,590	2,701	2,484	2,499	2,554	2,432	2,221
Reported net income (see below)	**975**	1,048	1,082	970	1,028	1,109	768	708
Adjusted net income (see below)	**997**	1,041	1,125	1,013	982	972	832	856
Basic earnings per share ($)	**1.43**	1.53	1.59	1.42	1.52	1.65	1.12	1.10
Diluted earnings per share ($)	**1.42**	1.53	1.59	1.42	1.51	1.63	1.11	1.09
Adjusted diluted earnings per share ($)	**1.46**	1.52	1.65	1.49	1.44	1.42	1.20	1.34
Net interest margin on earning assets (%)	**1.79**	1.85	1.83	1.88	1.89	2.05	2.01	1.76
Adjusted net interest margin on earning assets (%)	**1.64**	1.67	1.67	1.70	1.76	1.85	1.78	1.78
Effective income tax rate (%)	**20.8**	20.2	15.7	16.2	18.7	22.0	25.3	18.5
Adjusted effective income tax rate (%)	**20.0**	19.9	17.9	16.9	19.5	23.7	20.7	19.7
Canadian/U.S. dollar exchange rate (average)	**1.02**	1.00	0.99	1.02	0.99	1.01	1.01	0.96
Provision for credit losses – specific (2)								
P&C Canada	**154**	128	146	147	167	155	178	154
P&C U.S.	**55**	32	75	76	60	63	71	60
Personal and Commercial Banking	**209**	160	221	223	227	218	249	214
Private Client Group	**1**	2	11	5	1	5	2	(1)
BMO Capital Markets	**(6)**	(15)	(4)	-	19	(9)	12	10
Corporate Services, including T&O	**(29)**	31	(12)	1	(52)	(92)	36	22
BMO Financial Group provision for credit losses – specific	**175**	178	216	229	195	122	299	245
Reported net income:								
P&C Canada	**430**	458	442	459	433	441	419	436
P&C U.S.	**155**	182	140	139	142	159	162	90
Personal and Commercial Banking	**585**	640	582	598	575	600	581	526
Private Client Group	**141**	163	164	109	147	104	138	109
BMO Capital Markets	**275**	310	314	250	233	224	156	288
Corporate Services, including T&O	**(26)**	(65)	22	13	73	181	(107)	(215)
BMO Financial Group net income	**975**	1,048	1,082	970	1,028	1,109	768	708
Adjusted net income:								
P&C Canada	**431**	461	444	462	436	443	422	437
P&C U.S.	**168**	195	156	155	157	176	179	99
Personal and Commercial Banking	**599**	656	600	617	593	619	601	536
Private Client Group	**148**	169	169	114	153	109	143	111
BMO Capital Markets	**276**	310	315	250	233	224	156	289
Corporate Services, including T&O	**(26)**	(94)	41	32	3	20	(68)	(80)
BMO Financial Group adjusted net income	**997**	1,041	1,125	1,013	982	972	832	856

(1) Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
(2) Prior period balances have been restated to reflect a change in accounting allocation methodology for provisions for credit losses. See the Review of Operating Groups' Performance for more details.

Summary Quarterly Earnings Trends (Cont'd.)

BMO's quarterly earnings trends were reviewed in detail on pages 96 and 97 of BMO's 2012 annual MD&A. Readers are encouraged to refer to that review for a more complete discussion of trends and factors affecting past quarterly results including the modest impact of seasonal variations in results. Table 13 outlines summary results for the third quarter of fiscal 2011 through the second quarter of fiscal 2013.

Periodically, certain business lines and units within the business lines are transferred between client operating groups to more closely align BMO's organizational structure with its strategic priorities. Comparative figures have been restated to conform to the current presentation. In the first quarter of fiscal 2013, we commenced charging provisions for credit losses to the bank's operating groups based on actual credit losses incurred. Previously we had charged the groups with credit losses based on an expected loss provisioning methodology. Prior period results have been restated accordingly.

We have remained focused on embracing a culture that places the customer at the centre of everything we do. Economic conditions were at times challenging for some of our businesses in 2011 and 2012, but conditions have improved overall and quarterly adjusted results have generally trended higher over the past two years. In recent quarters, we have become more focused on improving our productivity.

P&C Canada volume growth remains strong across most products in both personal and commercial segments. Net income has generally trended higher. Excluding the effect of three fewer days in the most recent quarter, revenue grew moderately and expenses were lower than in the preceding quarter, with the continuing effects of good volume growth partially offset by the ongoing impact of net interest margin pressure in the low interest rate environment.

P&C U.S. results started to improve significantly late in the third quarter of 2011, due to the benefits of the M&I acquisition as well as increases in commercial loan balances, which had seen minimal growth since the economic downturn that started in 2007. P&C U.S. had very strong results in the first quarter of 2013. Net income has generally been stable to improving with good core commercial and industrial loan growth and lower expenses. Net interest margin has been declining, as expected.

PCG operating results have been strong in recent quarters. Quarterly results in PCG, excluding Insurance, have grown on a relatively consistent basis, driven by growth in client assets and a continued focus on productivity. Quarterly results in Insurance have been subject to variability.

BMO Capital Markets results in the first nine months of 2012 were good, but results in the final quarter of 2012 were stronger, due to increased revenues and a recovery of prior periods' income taxes. Strong results continued in the first two quarters of 2013, with very strong results in the first quarter in investment banking revenue, primarily merger and acquisition fees.

BMO's overall provisions for credit losses measured as a percentage of loans and acceptances continued to trend lower in recent quarters relative to 2012 and 2011. Adjusted provisions, which exclude provisions on the M&I purchased performing loan portfolio and changes in the collective allowance, were relatively consistent throughout 2012 and into the second quarter of 2013 and lower than in 2011, primarily due to recoveries of provisions on the M&I purchased credit impaired loan portfolio and an improvement in the U.S. credit environment.

Corporate Services quarterly net income can vary, in large part due to the inclusion of the adjusting items, which are largely recorded in Corporate Services. Adjusted results in Corporate Services were relatively steady in 2012 and better than in 2011. This was primarily due to a reduction in the adjusted provision for credit losses recorded in Corporate Services in 2012, reflecting the significant recoveries of provisions on the M&I purchased credit impaired loan portfolio. These recoveries can vary and reduced recoveries in the first quarter of 2013 together with lower revenues and increased expenses lowered Corporate Services results that quarter. These recoveries increased in the most recent quarter and, together with reduced expense, increased net income in the current quarter.

The U.S. dollar weakened in the first half of 2011 before strengthening in the fourth quarter and reaching a level close to parity. Movements in exchange rates in 2012 and for 2013 to date have been more subdued. A stronger U.S. dollar increases the translated value of U.S.-dollar-denominated revenues, expenses, provisions for credit losses, income taxes and net income.

The effective income tax rate can vary, as it depends on the timing of resolution of certain tax matters, recoveries of prior periods' income taxes and the relative proportion of earnings attributable to the different jurisdictions in which we operate. The adjusted effective rate was lower in 2012 than in 2011 due in large part to a 1.6 percentage point reduction in the statutory Canadian income tax rate in 2012 and higher recoveries of prior periods' income taxes. The rate has increased in 2013 due to reduced recoveries.

Caution

This Quarterly Earnings Trends section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Adjusted results in this section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Balance Sheet

Total assets of $555.3 billion at April 30, 2013, increased $29.8 billion from October 31, 2012, including a $1.8 billion increase as a result of the stronger U.S. dollar. The increase primarily reflects growth in cash and cash equivalents and interest bearing deposits with banks of $18.4 billion, securities borrowed or purchased under resale agreements of $12.5 billion and net loans and acceptances of $9.7 billion, partly offset by a decrease in securities of $5.9 billion and remaining assets of a net $4.9 billion.

The $18.4 billion increase in cash and cash equivalents and interest bearing deposits with banks was primarily due to increased balances held with central banks.

The $12.5 billion increase in securities borrowed or purchased under resale agreements was mainly due to increased client-driven activities.

The $9.7 billion increase in net loans and acceptances was primarily due to an increase in loans to businesses and governments in both P&C Canada and P&C U.S. and an increase in residential mortgages, primarily in P&C Canada.

The $5.9 billion decrease in securities was mainly due to a decline in available-for-sale securities.

The $4.9 billion net decrease in the remaining assets was primarily related to a decline in derivative financial assets, primarily in interest rate contracts. There was a comparable decrease in derivative financial liabilities.

Liabilities and equity increased $29.8 billion from October 31, 2012. The change primarily reflects increases in deposits of $34.6 billion and shareholders' equity of $0.7 billion, partly offset by decreases in derivative financial liabilities of $4.7 billion. All remaining liabilities and equity decreased by a combined $0.8 billion.

The $34.6 billion increase in deposits was largely driven by a $26.6 billion increase in business and government deposits due to increased U.S. dollar deposits and wholesale funding issuances. Deposits by banks increased $4.4 billion, while deposits by individuals increased $3.6 billion.

Contractual obligations by year of maturity were outlined in Table 23 on page 113 of BMO's 2012 Annual Report. There have been no material changes to contractual obligations that are outside the ordinary course of our business. Note 19 to the unaudited interim consolidated financial statements provides further details on contractual maturities of assets and liabilities at the end of the quarter.

Capital Management

Second Quarter 2013 Regulatory Capital Review

BMO's Basel III capital position is strong, with a Common Equity Tier 1 (CET1) Ratio of 9.7% at April 30, 2013, up from 9.4% at the end of the preceding quarter and well in excess of the expectation of the Office of the Superintendent of Financial Institutions (OSFI) that banks attain a 7% target, as discussed in the following paragraph.

Effective the first quarter of 2013, regulatory capital requirements for BMO are determined on a Basel III basis. In 2013, the minimum required Basel III capital ratios are a 3.5% CET1 Ratio, 4.5% Tier 1 Ratio and 8% Total Capital Ratio, such ratios being calculated using a five year phase-in of regulatory adjustments and nine year phase-out of instruments that no longer qualify as regulatory capital under the Basel III rules. However, OSFI's guidance requires Canadian deposit-taking institutions to meet the 2019 Basel III capital requirements in 2013, other than the phase-out of non-qualifying capital (also referred to as the 'all-in' requirements), and expects them to attain a target Basel III CET1 Ratio of at least 7% (4.5% minimum plus 2.5% capital conservation buffer) by January 31, 2013. On March 26, 2013, OSFI announced that, effective 2016, BMO and five other "domestic systemically important banks" (D-SIBs) would each be required to hold an additional 1% CET1 buffer, in addition to the 2.5% capital conservation buffer, to reduce the probability of D-SIB failure.

The CET1 Ratio increased by approximately 30 basis points from the first quarter and by approximately 100 basis points from our pro-forma ratio at October 31, 2012, due to higher CET1 capital and lower risk-weighted assets (RWA), as described below.

CET1 capital at April 30, 2013, was $20.2 billion, up $0.3 billion from the first quarter and up $0.9 billion from the pro-forma CET1 capital estimate of $19.3 billion at October 31, 2012, due mainly to retained earnings growth and the issuance of common shares through the Shareholder Dividend Reinvestment and Share Purchase Plan (DRIP) and the exercise of stock options, partly offset by purchase and cancellation of common shares under the bank's share repurchase program.

The Basel III RWA of $208 billion at April 30, 2013, was down $3 billion from the first quarter, and was $14 billion lower than the Basel III pro-forma estimate of $222 billion at October 31, 2012. Compared to October 31, 2012, the decrease in RWA was due mainly to lower Credit Valuation Adjustment (CVA) RWA, lower risk in certain portfolios and better risk assessments.

The lower CVA RWA resulted from OSFI's decision, announced in December 2012, to delay the effective date for the imposition of the CVA risk capital charge until January 2014. The delay is intended to synchronize Canada's implementation of the CVA risk capital charge with Basel III implementation in the United States and European Union countries. This delay improved our CET1 Ratio, at April 30, 2013, by approximately 35 basis points.

The bank's Basel III Tier 1 and Total Capital Ratios were 11.3% and 13.7%, respectively, at April 30, 2013, compared with 11.1% and 13.4%, respectively, in the first quarter and 10.5% and 12.9%, respectively, on a pro-forma basis at October 31, 2012. The ratios improved from the year end due to higher CET1 capital and lower RWA, as described above, partly offset by the phase-out of non-common instruments that do not meet OSFI's Basel III requirements, including the non-viability contingent capital requirements, and the redemption of $200 million Class B

Preferred Shares Series 5 and US$250 million Exchangeable Preferred Stock, Series A, both as described in Other Capital Developments.

BMO's Assets-to-Capital Multiple (ACM), a leverage ratio monitored by OSFI and calculated using the transitional total capital prescribed by OSFI, was 16.3 at April 30, 2013. BMO's ACM increased from 16.1 in the first quarter, and from 15.2 at October 31, 2012, on a Basel II basis primarily due to balance sheet growth and Basel III transitional modifications.

Additional details on the Basel III regulatory capital changes can be found in the Enterprise-Wide Capital Management section on pages 60 to 64 of BMO's 2012 Annual Report.

BMO's investments in U.S. operations are primarily denominated in U.S. dollars. Foreign exchange gains or losses on the translation of the investments in foreign operations to Canadian dollars are reported in shareholders' equity (although they do not attract tax until realized). When coupled with the foreign exchange impact of U.S.-dollar-denominated RWA on Canadian-dollar equivalent RWA, and with the impact of U.S.-dollar-denominated capital deductions on our Canadian dollar capital, this may result in volatility in the bank's capital ratios. BMO may hedge this foreign exchange risk by funding its foreign investment in U.S. dollars or, alternatively, to offset the impact of foreign exchange rate changes on the bank's capital ratios, may enter into derivatives contracts, such as forward currency contracts, or elect to fund its investment in Canadian dollars.

Other Capital Developments

During the quarter, 978,000 common shares were issued through the DRIP and the exercise of stock options. In the second quarter, we purchased four million shares under the bank's share repurchase program. The timing and amount of purchases under the program are subject to management discretion based on factors such as market conditions and capital adequacy. The bank only initiates purchases under the program after consulting with OSFI.

On January 24, 2013, BMO announced its intention to redeem all of its Non-cumulative Class B Preferred Shares Series 5; these shares were redeemed on February 25, 2013.

On April 30, 2013, we redeemed all of the US$250 million outstanding 7 3/8% Non-cumulative Exchangeable Preferred Stock, Series A, issued by Harris Preferred Capital Corporation, a U.S. subsidiary. These real estate investment trust preferred shares qualified as Tier 1 regulatory capital under Basel II and were, under Basel III, part of our non-qualifying capital subject to phase-out.

On May 29, 2013, BMO announced that the Board of Directors had declared a quarterly dividend payable to common shareholders of $0.74 per common share, unchanged from the preceding quarter and up $0.04 per share from a year ago. The dividend and share purchases reflect our strong capital position and the success of our business strategies.

The dividend is payable August 27, 2013, to shareholders of record on August 1, 2013. Common shareholders may elect to have their cash dividends reinvested in common shares of the bank in accordance with the DRIP. Under the DRIP, the bank determines whether the common shares acquired by shareholders under the DRIP will be purchased in the open market or issued by the bank from treasury. Until further notice, the common shares acquired by shareholders under the DRIP will, commencing with the dividend payable on August 27, 2013, be purchased in the open market.

Caution

The foregoing Capital Management sections contain forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

The foregoing Capital Management sections contain adjusted results and measures, which are non-GAAP. Please see the Non-GAAP Measures section.

Qualifying Regulatory Capital and Risk-Weighted Assets — **Table 14**

Basel III Regulatory Capital and Risk-Weighted Assets (Canadian $ in millions)	**(1) All-in Q2-2013**	**(2) Transitional Q2-2013**	(1) All-in Q1-2013	(2) Transitional Q1-2013
Gross Common Equity (3)	**26,893**	**26,967**	26,533	26,610
Regulatory adjustments applied to Common Equity	**(6,695)**	**-**	(6,640)	-
Common Equity Tier 1 capital (CET1)	**20,198**	**26,967**	19,893	26,610
Additional Tier 1 Eligible Capital (4)	**3,779**	**3,779**	3,890	3,890
Regulatory Adjustments applied to Tier 1	**(409)**	**(3,705)**	(419)	(3,811)
Additional Tier 1 capital (AT1)	**3,370**	**74**	3,471	79
Tier 1 capital (T1 = CET1 + AT1)	**23,568**	**27,041**	23,364	26,689
Tier 2 Eligible Capital (5)	**4,919**	**4,919**	4,890	4,890
Regulatory Adjustments applied to Tier 2	**(50)**	**-**	(50)	(30)
Tier 2 capital (T2)	**4,869**	**4,919**	4,840	4,860
Total capital (TC= T1 + T2)	**28,437**	**31,960**	28,204	31,549
Total risk-weighted assets	**207,974**	**215,863**	210,671	214,298
Capital Ratios (%)				
CET1 Ratio	**9.7**	**12.5**	9.4	12.4
Tier 1 Capital Ratio	**11.3**	**12.5**	11.1	12.5
Total Capital Ratio	**13.7**	**14.8**	13.4	14.7

(1) "All-in" regulatory capital assumes that all Basel III regulatory adjustments are applied effective January 1, 2013, and that the capital value of instruments that no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013, and continuing to January 1, 2022.

(2) Transitional regulatory capital assumes that all Basel III regulatory capital adjustments are phased in from January 1, 2014, to January 1, 2018, and that the capital value of instruments that no longer qualify as regulatory capital under Basel III rules will be phased out at a rate of 10% per year from January 1, 2013, and continuing to January 1, 2022.

(3) Gross Common Equity includes issued qualifying common shares, retained earnings, accumulated other comprehensive income and eligible common share capital issued by subsidiaries.

(4) Additional Tier 1 Eligible Capital includes directly and indirectly issued qualifying Additional Tier 1 instruments and directly and indirectly issued capital instruments, to the extent eligible, which are subject to phase-out under Basel III.

(5) Tier 2 Eligible Capital includes directly and indirectly issued qualifying Tier 2 instruments and directly and indirectly issued capital instruments, to the extent eligible, that are subject to phase-out under Basel III.

Outstanding Shares and Securities Convertible into Common Shares **Table 15**

As at May 23, 2013		Number of shares or dollar amount
Common shares		648,097,000
Class B Preferred Shares		
Series 13	$	350,000,000
Series 14	$	250,000,000
Series 15	$	250,000,000
Series 16	$	300,000,000
Series 18	$	150,000,000
Series 21	$	275,000,000
Series 23	$	400,000,000
Series 25	$	290,000,000
Stock options		
– vested		8,829,000
– non-vested		7,785,000

Details on share capital are outlined in Note 20 to the audited consolidated financial statements on pages 156 and 157 of BMO's 2012 Annual Report.

Eligible Dividends Designation

For the purposes of the *Income Tax Act* (Canada) and any similar provincial and territorial legislation, BMO designates all dividends paid or deemed to be paid on both its common and preferred shares as "eligible dividends", unless indicated otherwise.

Transactions with Related Parties

In the ordinary course of business, we provide banking services to our key management personnel, joint ventures and associates on the same terms that we offer to our customers for those services. A select suite of customer loan and mortgage products is offered to our employees at rates normally made available to our preferred customers. We also offer employees a fee-based subsidy on annual credit card fees.

Share-based payments granted to key management personnel are discussed in Note 27 to the audited consolidated financial statements on pages 168 to 169 of BMO's 2012 Annual Report.

Off-Balance Sheet Arrangements

BMO enters into a number of off-balance sheet arrangements in the normal course of operations. The most significant of these are Credit Instruments, Special Purpose Entities (SPEs), and Guarantees, which are described on pages 64, 65, 66 and 70 of BMO's 2012 Annual Report as well as in Notes 5 and 7 to the unaudited interim consolidated financial statements. We consolidate all of our SPEs, except for certain Canadian customer securitization and structured finance vehicles. See the Select Financial Instruments section for comments on any significant changes to these arrangements during the quarter ended April 30, 2013.

Accounting Policies and Critical Accounting Estimates

Significant accounting policies are described in the notes to our audited consolidated financial statements for the year ended October 31, 2012, together with a discussion of certain accounting estimates that are considered particularly important as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to review that discussion.

Future Changes in Accounting Policies

Effective November 1, 2013, BMO will adopt new standards on Employee Benefits, Fair Value Measurement, Consolidated Financial Statements, Investment in Associates and Joint Ventures, Offsetting, and Disclosure of Interests in Other Entities. Additional information on the new standards and amendments to existing standards can be found in Note 1 to the audited consolidated financial statements on pages 124 to 127 of BMO's 2012 Annual Report.

The above Future Changes in Accounting Policies section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

U.S. Regulatory Developments

We continue to monitor and prepare for U.S. regulatory developments including financial reforms under the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the *Dodd-Frank Act*) and highlight recent developments in this section. For a more comprehensive discussion, see the U.S. Regulatory Developments section on page 69 of BMO's 2012 annual MD&A.

Under the *Dodd-Frank Act,* swaps are now subject to a comprehensive regulatory regime. Certain swaps are currently required to be centrally cleared and will soon be required to be traded on an exchange. As a registered swap dealer in the United States, BMO is now subject to swap reporting and business conduct requirements. Capital and margin requirements relating to swaps are currently being reviewed by U.S. and international regulators.

In December 2012, the Federal Reserve Board (FRB) issued for comment a proposed rulemaking that would establish enhanced prudential standards and early remediation requirements for certain foreign banks with U.S. operations, including BMO. The proposal would establish new requirements for organizational structure, risk management, capital, liquidity, stress testing, and early remediation covering all U.S. operations of foreign banks. The proposed requirements applicable to BMO Financial Corp. (BFC) are similar to those that already apply to BFC and its subsidiaries as domestic U.S. banks and bank holding companies. The proposed rule would also affect BMO's U.S. branches. The FRB has indicated the requirements would be effective July 1, 2015.

On April 29, 2013, BMO, its Chicago branch and BMO Financial Corp. entered into a Written Agreement with the FRB and the State of Illinois Department of Financial and Professional Regulation. BMO Harris Bank N.A. entered into a Formal Agreement with the Office of the Comptroller of the Currency. Each of the Written Agreement and the Formal Agreement relates principally to such entities' undertakings to strengthen policies, procedures and controls concerning the Bank Secrecy Act and U.S. anti-money laundering requirements.

Caution

This U.S. Regulatory Developments section contains forward-looking statements. Please see the Caution Regarding Forward-Looking Statements.

Select Financial Instruments

Pages 64 to 66 of BMO's 2012 annual MD&A provide enhanced disclosure relating to select financial instruments that, commencing in 2008 and based on subsequent assessments, markets had come to regard as carrying higher risk. Readers are encouraged to review that disclosure to assist in understanding the nature and extent of BMO's exposures. In March 2011, the Financial Stability Board (FSB) published *Thematic Review on Risk Disclosure Practices – Peer Review Report*, which updated its views on disclosure practices. On October 29, 2012, the Enhanced Disclosure Task Force of the FSB published its report, *Enhancing the Risk Disclosures of Banks*. We currently comply with many of the recommendations, and we continue to review our disclosures for future filings and enhance them as appropriate.

We follow a practice of reporting on significant changes in the select financial instruments since year end, if any, in our interim MD&A. There have been no changes of substance from the disclosure in our annual MD&A.

Select Geographic Exposures

Select geographic disclosures were disclosed and discussed on pages 67, 68, 112 and 113 of BMO's 2012 Annual Report. Our exposure to select countries of interest, as at April 30, 2013, is set out in the tables that follow, which summarize our exposure to Greece, Ireland, Italy, Portugal and Spain (GIIPS) along with a broader group of countries of interest in Europe where our gross exposure is greater than $500 million. Our gross and net portfolio exposures are summarized in Table 16 for lending, securities (inclusive of credit default swaps (CDS) activity), repo-style transactions and derivatives. These totals are further broken down by counterparty type in Tables 17 to 19. We also provide a summary of our January 31, 2013, and October 31, 2012, exposures for ease of comparison. There has been limited change in our exposures.

For greater clarity, BMO's CDS exposures in Europe are outlined separately in Table 20. As part of our credit risk management framework, purchased CDS risk is controlled through a regularly reviewed list of approved counterparties. The majority of CDS exposures are offsetting in nature, typically contain matched contractual terms and are attributable to legacy credit trading strategies that have been in run-off mode since 2008.

European Exposure by Country (Canadian $ in millions) (10) **Table 16**

As at April 30, 2013

	Lending (1)		Securities (2)		Repo-Style Trans.(3)		Derivatives (4)		Total	
Country	Commitments	Funded	Gross	Net	Gross	Net	Gross	Net	Gross	Net
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (5)	-	-	25	-	152	1	51	5	228	6
Italy	2	2	212	-	166	-	4	1	384	3
Portugal	-	-	126	-	-	-	1	-	127	-
Spain	75	75	129	-	-	-	7	4	211	79
Total – GIIPS (6)	**77**	**77**	**492**	**-**	**318**	**1**	**63**	**10**	**950**	**88**
Eurozone (excluding GIIPS)										
France	30	30	616	460	2,916	2	264	32	3,826	524
Germany	56	18	1,873	1,531	1,766	29	72	9	3,767	1,587
Netherlands	291	126	502	433	1,274	3	74	8	2,141	570
Other (7)	351	265	536	385	23	2	70	8	980	660
Total – Eurozone (excluding GIIPS) (8)	**728**	**439**	**3,527**	**2,809**	**5,979**	**36**	**480**	**57**	**10,714**	**3,341**
Rest of Europe										
Denmark	1	1	1,110	1,109	306	-	-	-	1,417	1,110
Norway	15	15	1,187	1,187	103	1	11	11	1,316	1,214
Sweden	116	25	246	206	406	-	-	-	768	231
Switzerland	400	390	50	5	314	4	7	5	771	404
United Kingdom	403	216	452	183	3,085	32	581	219	4,521	650
Other (7)	366	366	361	-	-	-	-	-	727	366
Total - Rest of Europe (8)	**1,301**	**1,013**	**3,406**	**2,690**	**4,214**	**37**	**599**	**235**	**9,520**	**3,975**
Total - All of Europe	**2,106**	**1,529**	**7,425**	**5,499**	**10,511**	**74**	**1,142**	**302**	**21,184**	**7,404**

Details of the summary amounts reflected in the columns above are provided in Tables 17 to 19.

As at January 31, 2013

	Lending (1)		Securities (2)		Repo-Style Trans.(3)		Derivatives (4)		Total	
Country	Commitments	Funded	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total – GIIPS	**72**	**72**	**491**	**-**	**278**	**3**	**59**	**6**	**900**	**81**
Total – Eurozone (excluding GIIPS)	**679**	**468**	**3,848**	**3,092**	**4,435**	**9**	**532**	**146**	**9,494**	**3,715**
Total - Rest of Europe	**1,225**	**927**	**3,813**	**2,975**	**5,183**	**13**	**463**	**172**	**10,684**	**4,087**
Total - All of Europe	**1,976**	**1,467**	**8,152**	**6,067**	**9,896**	**25**	**1,054**	**324**	**21,078**	**7,883**

As at October 31, 2012

	Lending (1)		Securities (2)		Repo-Style Trans.(3)		Derivatives (4)		Total	
Country	Commitments	Funded	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Total – GIIPS	**116**	**69**	**500**	**-**	**242**	**8**	**69**	**6**	**927**	**83**
Total – Eurozone (excluding GIIPS)	**934**	**608**	**4,074**	**3,306**	**3,746**	**10**	**600**	**76**	**9,354**	**4,000**
Total - Rest of Europe	**1,167**	**916**	**3,711**	**2,771**	**3,986**	**15**	**468**	**126**	**9,332**	**3,828**
Total - All of Europe	**2,217**	**1,593**	**8,285**	**6,077**	**7,974**	**33**	**1,137**	**208**	**19,613**	**7,911**

(1) Lending includes loans and trade finance. Amounts are net of write-offs and gross of specific allowances, both of which are not considered material.
(2) Securities include cash products, insurance investments and traded credit. Gross traded credit includes only the long positions and excludes offsetting short positions.
(3) Repo-style transactions are all with bank counterparties.
(4) Derivatives amounts are marked-to-market, incorporating transaction netting and, for counterparties where a Credit Support Annex is in effect, collateral offsets. Derivative replacement risk net of collateral for all of Europe is approximately $2.9 billion as at April 30, 2013.
(5) Does not include Irish subsidiary reserves we are required to maintain with the Irish Central Bank of $80 million as at April 30, 2013.
(6) BMO's direct exposures to GIIPS are primarily to banks for trade finance and trading products. Net exposures remain modest at $88 million, with no unfunded commitments as at April 30, 2013.
(7) Includes countries with less than $500 million in gross exposure. Other Eurozone includes exposures to Austria, Belgium, Finland, Luxembourg, Slovakia and Slovenia. Other Rest of Europe includes exposures to Croatia, Czech Republic, Hungary, Iceland, Poland and the Russian Federation.
(8) BMO's net direct exposure to the other Eurozone countries (the other 12 countries that share the common euro currency) as at April 30, 2013, totalled approximately $3.3 billion, of which 74% was to counterparties in countries with a rating of Aaa/AAA by both Moody's and S&P, with approximately 84% rated Aaa/AAA by one of the two rating agencies. Our net direct exposure to the rest of Europe totalled approximately $4.0 billion, of which 74% was to counterparties in countries with a Moody's/S&P rating of Aaa/AAA. A significant majority of our sovereign exposure consists of tradeable cash products, while exposure related to banks was comprised of trading instruments, short-term debt, derivative positions and letters of credit and guarantees.
(9) Sovereign includes sovereign-backed bank cash products.
(10) **Other Exposures (including indirect exposures) not included in the tables as at April 30, 2013:**

- BMO also has exposure to entities in a number of European countries through our credit protection vehicle, U.S customer securitization vehicle and structured investment vehicle. These exposures are not included in the tables due to the credit protection incorporated in their structures.
  - BMO has direct exposure to those credit structures, which in turn have exposures to loans or securities originated by entities in Europe. As noted on pages 65 and 66 of BMO's 2012 annual MD&A in the Credit Protection Vehicle and Structured Investment Vehicle sections, these structures all have first-loss protection and hedges are in place for our credit protection vehicle.
  - The notional exposure held in the credit protection vehicle to issuers in Greece, Italy and Spain represented 0.6%, 0.9% and 1.2%, respectively, of its total notional exposure. The credit protection vehicle had notional exposure to seven of the other 12 countries that share the euro currency. This exposure represented 11.0% of total notional exposure, of which 83.3% was rated investment grade by S&P (72.6% by Moody's). The notional exposure to the rest of Europe was 12.4% of total notional exposure, with 72.5% rated investment grade by S&P (61.6% by Moody's).
  - BMO has exposure to GIIPS and other European countries through our U.S. customer securitization vehicle, which has commitments that involve reliance on collateral of which 0.9% represents loans or securities originated by entities in Europe. At quarter end, exposure to Germany was the largest component at 0.2%. Exposure to Spain was approximately 0.1%, and there was no exposure to Italy, Ireland, Greece or Portugal.
  - The structured investment vehicle's par value exposure to entities in European countries totalled $232 million at April 30, 2013, including no exposure to GIIPS, $62 million to the other Eurozone countries and $170 million to the rest of Europe. The largest exposures included the United Kingdom at $135 million and the Netherlands at $40 million. These amounts included exposure through collateralized bond obligation (CBO) and collateralized loan obligation (CLO) investments and residential mortgage-backed securities, which have credit exposures to borrowers or issuers operating in Europe.
- BMO has exposure to European supranational institutions totalling $0.6 billion, predominantly in the form of tradeable cash products.
- BMO's indirect exposure to Europe in the form of euro-denominated collateral to support trading activity was €1,384 million in securities issued by entities in European countries, of which €4 million was held in securities related to GIIPS and €710 million was in French securities. In addition, €1,107 million of cash collateral was also held at April 30, 2013.
- Indirect exposure by way of guarantees from entities in European countries totalled $435 million, of which $5 million was exposure to GIIPS, $217 million to the other Eurozone countries and $213 million to the rest of Europe.

European Lending Exposure by Country and Counterparty (Canadian $ in millions) (10) — Table 17

As at April 30, 2013

	Lending (1)							
	Commitments				Funded			
Country	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total
GIIPS								
Greece	-	-	-	-	-	-	-	-
Ireland (5)	-	-	-	-	-	-	-	-
Italy	2	-	-	2	2	-	-	2
Portugal	-	-	-	-	-	-	-	-
Spain	75	-	-	75	75	-	-	75
Total - GIIPS	**77**	**-**	**-**	**77**	**77**	**-**	**-**	**77**
Eurozone (excluding GIIPS)								
France	30	-	-	30	30	-	-	30
Germany	13	43	-	56	13	5	-	18
Netherlands	28	263	-	291	28	98	-	126
Other (7)	285	66	-	351	219	46	-	265
Total - Eurozone (excluding GIIPS)	**356**	**372**	**-**	**728**	**290**	**149**	**-**	**439**
Rest of Europe								
Denmark	1	-	-	1	1	-	-	1
Norway	15	-	-	15	15	-	-	15
Sweden	23	93	-	116	23	2	-	25
Switzerland	8	392	-	400	8	382	-	390
United Kingdom	104	299	-	403	104	112	-	216
Other (7)	366	-	-	366	366	-	-	366
Total - Rest of Europe	**517**	**784**	**-**	**1,301**	**517**	**496**	**-**	**1,013**
Total - All of Europe	**950**	**1,156**	**-**	**2,106**	**884**	**645**	**-**	**1,529**

Refer to footnotes in Table 16.

European Securities Exposure by Country and Counterparty (Canadian $ in millions) (10) — Table 18

As at April 30, 2013

	Securities (2)							
	Gross				Net			
Country	Bank	Corporate	Sovereign (9)	Total	Bank	Corporate	Sovereign (9)	Total
GIIPS								
Greece	-	-	-	-	-	-		-
Ireland (5)	-	-	25	25	-	-		-
Italy	53	47	112	212	-	-		-
Portugal	-	-	126	126	-	-		-
Spain	40	39	50	129	-	-		-
Total - GIIPS	**93**	**86**	**313**	**492**	**-**	**-**		**-**
Eurozone (excluding GIIPS)								
France	30	126	460	616	-	-	460	460
Germany	127	234	1,512	1,873	-	19	1,512	1,531
Netherlands	324	76	102	502	324	7	102	433
Other (7)	59	27	450	536	8	-	377	385
Total - Eurozone (excluding GIIPS)	**540**	**463**	**2,524**	**3,527**	**332**	**26**	**2,451**	**2,809**
Rest of Europe								
Denmark	504	1	605	1,110	504	-	605	1,109
Norway	384	-	803	1,187	384	-	803	1,187
Sweden	206	40	-	246	206	-		206
Switzerland	16	34	-	50	5	-		5
United Kingdom	113	265	74	452	57	52	74	183
Other (7)	-	-	361	361	-	-		-
Total - Rest of Europe	**1,223**	**340**	**1,843**	**3,406**	**1,156**	**52**	**1,482**	**2,690**
Total - All of Europe	**1,856**	**889**	**4,680**	**7,425**	**1,488**	**78**	**3,933**	**5,499**

Refer to footnotes in Table 16.

European Repo & Derivatives Exposure by Country and Counterparty (Canadian $ in millions) (10) — Table 19

As at April 30, 2013

	Repo-Style Trans. (3)		Derivatives (4)							
	Gross	Net of Collateral	Gross				Net of Collateral			
Country	Total	Total	Bank	Corporate	Sovereign	Total	Bank	Corporate	Sovereign	Total
GIIPS										
Greece	-	-	-	-	-	-	-	-	-	-
Ireland (5)	152	1	51	-	-	51	5	-	-	5
Italy	166	-	4	-	-	4	1	-	-	1
Portugal	-	-	1	-	-	1	-	-	-	-
Spain	-	-	7	-	-	7	4	-	-	4
Total - GIIPS	**318**	**1**	**63**	**-**	**-**	**63**	**10**	**-**	**-**	**10**
Eurozone (excluding GIIPS)										
France	2,916	2	264	-	-	264	32	-	-	32
Germany	1,766	29	72	-	-	72	9	-	-	9
Netherlands	1,274	3	74	-	-	74	8	-	-	8
Other (7)	23	2	66	3	1	70	4	3	1	8
Total - Eurozone (excluding GIIPS)	**5,979**	**36**	**476**	**3**	**1**	**480**	**53**	**3**	**1**	**57**
Rest of Europe										
Denmark	306	-	-	-	-	-	-	-	-	-
Norway	103	1	-	-	11	11	-	-	11	11
Sweden	406	-	-	-	-	-	-	-	-	-
Switzerland	314	4	7	-	-	7	5	-	-	5
United Kingdom	3,085	32	532	12	37	581	171	12	36	219
Other (7)	-	-	-	-	-	-	-	-	-	-
Total - Rest of Europe	**4,214**	**37**	**539**	**12**	**48**	**599**	**176**	**12**	**47**	**235**
Total - All of Europe	**10,511**	**74**	**1,078**	**15**	**49**	**1,142**	**239**	**15**	**48**	**302**

Refer to footnotes in Table 16.

Credit Default Swaps (CDS) by Country and Credit Quality (Canadian $ in millions) — Table 20

As at April 30, 2013

	Fair Value					Notional						
	Purchased		Written			Purchased			Written			
Country	Inv. Grade	Non-Inv. Grade	Inv. Grade	Non-Inv. Grade	Total Exposure	Inv. Grade	Non-Inv. Grade	Total	Inv. Grade	Non-Inv. Grade	Total	Total Exposure
GIIPS												
Greece	-	-	-	-	-	-	-	-	-	-	-	-
Ireland (5)	1	-	(1)	-	-	(25)	-	(25)	25	-	25	-
Italy	4	-	(5)	-	(1)	(211)	-	(211)	211	-	211	-
Portugal	9	-	(9)	-	-	(124)	-	(124)	124	-	124	-
Spain	3	-	(3)	-	-	(128)	-	(128)	128	-	128	-
Total - GIIPS	**17**	**-**	**(18)**	-	**(1)**	**(488)**	**-**	**(488)**	**488**	**-**	**488**	**-**
Eurozone (excluding GIIPS)												
France	(1)	-	1	-	-	(184)	-	(184)	157	-	157	(27)
Germany	(2)	-	2	-	-	(394)	-	(394)	369	-	369	(25)
Netherlands	-	-	-	-	-	(73)	-	(73)	55	13	68	(5)
Other (7)	(1)	-	1	-	-	(127)	-	(127)	127	-	127	-
Total - Eurozone (excluding GIIPS)	**(4)**	**-**	**4**	-	-	**(778)**	**-**	**(778)**	**708**	**13**	**721**	**(57)**
Rest of Europe												
Denmark	-	-	-	-	-	(1)	-	(1)	1	-	1	-
Norway	-	-	-	-	-	-	-	-	-	-	-	-
Sweden	-	-	-	-	-	(40)	-	(40)	40	-	40	-
Switzerland	(3)	-	1	-	(2)	(276)	-	(276)	58	-	58	(218)
United Kingdom	2	-	-	-	2	(285)	-	(285)	258	13	271	(14)
Other (7)	(2)	-	(1)	-	(3)	(379)	(10)	(389)	381	7	388	(1)
Total - Rest of Europe	**(3)**	**-**	**-**	-	**(3)**	**(981)**	**(10)**	**(991)**	**738**	**20**	**758**	**(233)**
Total - All of Europe	**10**	**-**	**(14)**	-	**(4)**	**(2,247)**	**(10)**	**(2,257)**	**1,934**	**33**	**1,967**	**(290)**

As at January 31, 2013

	Fair Value					Notional						
	Purchased		Written			Purchased			Written			
Country	Inv. Grade	Non-Inv. Grade	Inv. Grade	Non-Inv. Grade	Total Exposure	Inv. Grade	Non-Inv. Grade	Total	Inv. Grade	Non-Inv. Grade	Total	Total Exposure
Total - GIIPS	**23**	**-**	**(23)**	**-**	**-**	**(500)**	**-**	**(500)**	**500**	**-**	**500**	**-**
Total - Eurozone (excluding GIIPS)	**(3)**	**-**	**2**	**-**	**(1)**	**(919)**	**-**	**(919)**	**889**	**14**	**903**	**(16)**
Total - Rest of Europe	**-**	**-**	**-**	**-**	**-**	**(1,106)**	**(10)**	**(1,116)**	**860**	**21**	**881**	**(235)**
Total - All of Europe	**20**	**-**	**(21)**	**-**	**(1)**	**(2,525)**	**(10)**	**(2,535)**	**2,249**	**35**	**2,284**	**(251)**

As at October 31, 2012

	Fair Value					Notional						
	Purchased		Written			Purchased			Written			
Country	Inv. Grade	Non-Inv. Grade	Inv. Grade	Non-Inv. Grade	Total Exposure	Inv. Grade	Non-Inv. Grade	Total	Inv. Grade	Non-Inv. Grade	Total	Total Exposure
Total - GIIPS	**30**	**-**	**(31)**	**-**	**(1)**	**(517)**	**-**	**(517)**	**511**	**5**	**516**	**(1)**
Total - Eurozone (excluding GIIPS)	**(1)**	**-**	**1**	**-**	**-**	**(1,041)**	**-**	**(1,041)**	**998**	**13**	**1,011**	**(30)**
Total - Rest of Europe	**2**	**-**	**(1)**	**-**	**1**	**(1,273)**	**(25)**	**(1,298)**	**1,053**	**20**	**1,073**	**(225)**
Total - All of Europe	**31**	**-**	**(31)**	**-**	**-**	**(2,831)**	**(25)**	**(2,856)**	**2,562**	**38**	**2,600**	**(256)**

Refer to footnotes in Table 16.

Notes:
- All purchased and written exposures are with bank counterparties.
- 29% of purchased and 37% of written CDS exposure is subject to complete restructuring trigger events (full restructuring). Under the terms of these contracts, any restructuring event qualifies as a credit event and any bond of maturity up to 30 years is deliverable against the contract.
- 71% of purchased and 63% of written CDS exposure is subject to modified-modified restructuring trigger events. Under the terms of these contracts, restructuring agreements count as a credit event; however, the deliverable obligation against the contract is limited to a maturity limit of 60 months for restructured obligations and 30 months for all other obligations.
- Table excludes $27 million of Itraxx CDS Index purchased protection. The index is comprised equally of 25 constituent names in the following regions: GIIPS (16%), Eurozone (excluding GIIPS) (44%) and rest of Europe (40%).

Review of Operating Groups Performance

Operating Groups' Summary Income Statements and Statistics for Q2-2013 — **Table 21**

	Q2-2013					YTD-2013				
(Canadian $ in millions, except as noted)	P&C	PCG	BMO CM	Corp	**Total BMO**	P&C	PCG	BMO CM	Corp	**Total BMO**
Net interest income (teb) (1)	1,653	135	299	11	**2,098**	3,355	272	597	90	**4,314**
Non-interest revenue	609	630	551	56	**1,846**	1,222	1,272	1,157	60	**3,711**
Total revenue (teb) (1)	2,262	765	850	67	**3,944**	4,577	1,544	1,754	150	**8,025**
Provision for credit losses	209	1	(6)	(59)	**145**	369	3	(21)	(28)	**323**
Non-interest expense	1,249	586	503	230	**2,568**	2,511	1,155	1,018	474	**5,158**
Income before income taxes	804	178	353	(104)	**1,231**	1,697	386	757	(296)	**2,544**
Income taxes (recovery) (teb) (1)	219	37	78	(78)	**256**	472	82	172	(205)	**521**
Reported net income Q2-2013	585	141	275	(26)	**975**	1,225	304	585	(91)	**2,023**
Reported net income Q1-2013	640	163	310	(65)	**1,048**					
Reported net income Q2-2012	575	147	233	73	**1,028**	1,175	251	457	254	**2,137**
Adjusted net income Q2-2013	599	148	276	(26)	**997**	1,255	317	586	(120)	**2,038**
Adjusted net income Q1-2013	656	169	310	(94)	**1,041**					
Adjusted net income Q2-2012	593	153	233	3	**982**	1,212	262	457	23	**1,954**
Other statistics (% except as noted)										
Return on equity	17.1	19.9	19.4	nm	**14.2**	17.9	21.5	20.4	nm	**14.6**
Adjusted return on equity	17.5	20.9	19.4	nm	**14.5**	18.3	22.5	20.4	nm	**14.7**
Operating leverage	(0.6)	(3.0)	0.1	nm	**(3.2)**	0.4	3.3	5.2	nm	**(2.7)**
Adjusted operating leverage	(1.0)	(2.8)	0.2	nm	**(1.0)**	0.1	3.6	5.2	nm	**(0.8)**
Efficiency ratio (teb)	55.2	76.6	59.3	nm	**65.1**	54.9	74.8	58.1	nm	**64.3**
Adjusted efficiency ratio (teb)	54.3	75.4	59.2	nm	**63.9**	53.9	73.6	58.0	nm	**63.9**
Net interest margin on earning assets (teb)	3.01	2.86	0.61	nm	**1.79**	3.03	2.88	0.60	nm	**1.82**
Adjusted net interest margin on earning assets (teb)	3.01	2.86	0.61	nm	**1.64**	3.03	2.88	0.60	nm	**1.66**
Net economic profit ($ millions) (2)	230	72	122	(161)	**263**	517	167	275	(378)	**581**
Average common equity ($ billions)	13.6	2.9	5.6	4.8	**26.9**	13.4	2.8	5.6	4.9	**26.7**
Average earning assets ($ billions)	225.4	19.4	201.6	33.6	**480.0**	223.2	19.1	201.1	34.1	**477.5**
Full-time equivalent staff	24,804	6,132	2,201	13,443	**46,580**					

(1) Operating group revenues, income taxes and net interest margin are stated on a taxable equivalent basis (teb). The group teb adjustments are offset in Corporate Services, and Total BMO revenue, income taxes and net interest margin are stated on a GAAP basis.
(2) Net economic profit is a non-GAAP measure. Please see the Non-GAAP Measures section.

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Corp means Corporate Services, including Technology and Operations.
nm – not meaningful

The following sections review the financial results of each of our operating segments and operating groups for the second quarter of 2013.

Periodically, certain business lines and units within the business lines are transferred between client groups to more closely align BMO's organizational structure with its strategic priorities. Results for prior periods are restated to conform to the current presentation.

Corporate Services results reflect certain items in respect of the acquired loan portfolio, including the recognition of a portion of the credit mark that is reflected in net interest income over the term of the purchased loans and provisions for credit losses on the acquired portfolio. Integration and restructuring costs, run-off structured credit activities and changes in the collective allowance are also included in Corporate Services.

Commencing in the first quarter of 2013, we changed the way in which we evaluate our operating segments to reflect the provisions for credit losses on an actual credit loss basis rather than on an expected loss basis. Provisions for the purchased performing and purchased credit impaired loan portfolios continue to be evaluated and reported in Corporate Services.

During the first quarter of 2013 we refined our methodology for the allocation of certain revenues in Corporate Services by geographic region. As a consequence, we have reallocated certain revenue of prior periods from Canada to the United States in Corporate Services.

BMO analyzes revenue at the consolidated level based on GAAP revenues reflected in the consolidated financial statements rather than on a taxable equivalent basis (teb), which is consistent with our Canadian peer group. Like many banks, we continue to analyze revenue on a teb basis at the operating group level. This basis includes an adjustment that increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt items to a level equivalent to amounts that would incur tax at the statutory rate. The offset to the group teb adjustments is reflected in Corporate Services revenues and income tax provisions. The teb adjustments for the second quarter of 2013 totalled $71 million, up from $64 million in the first quarter of 2013, and up from $56 million in the second quarter of 2012.

Personal and Commercial Banking (P&C) — Table 22

(Canadian $ in millions, except as noted)	Q2-2013	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	YTD-2013	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income (teb)	**1,653**	1,672	(1)	1,702	(3)	**3,355**	3,426	(2)
Non-interest revenue	**609**	595	3	613	-	**1,222**	1,191	3
Total revenue (teb)	**2,262**	2,267	-	2,315	(2)	**4,577**	4,617	(1)
Provision for credit losses	**209**	227	(8)	160	30	**369**	445	(17)
Non-interest expense	**1,249**	1,244	-	1,262	(1)	**2,511**	2,545	(1)
Income before income taxes	**804**	796	1	893	(10)	**1,697**	1,627	4
Income taxes (teb)	**219**	221	(1)	253	(12)	**472**	452	4
Reported net income	**585**	575	2	640	(9)	**1,225**	1,175	4
Adjusted net income	**599**	593	1	656	(9)	**1,255**	1,212	4
Return on equity (%)	**17.1**	18.0	(0.9)	18.7	(1.6)	**17.9**	18.0	(0.1)
Adjusted return on equity (%)	**17.5**	18.6	(1.1)	19.1	(1.6)	**18.3**	18.6	(0.3)
Operating leverage (%)	**(0.6)**	(1.7)	nm	1.5	nm	**0.4**	(4.8)	nm
Adjusted operating leverage (%)	**(1.0)**	(0.1)	nm	1.2	nm	**0.1**	(3.2)	nm
Efficiency ratio (%) (teb)	**55.2**	54.8	0.4	54.5	0.7	**54.9**	55.1	(0.2)
Adjusted efficiency ratio (%) (teb)	**54.3**	53.7	0.6	53.6	0.7	**53.9**	54.0	(0.1)
Net interest margin on earning assets (%) (teb)	**3.01**	3.25	(0.24)	3.05	(0.04)	**3.03**	3.30	(0.27)
Average earning assets ($ billions)	**225.4**	209.0	8	221.2	2	**223.2**	209.0	7

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

The Personal and Commercial Banking (P&C) operating group represents the sum of our two retail and business banking operating segments, Personal and Commercial Banking Canada (P&C Canada) and Personal and Commercial Banking U.S. (P&C U.S.). These operating segments are reviewed separately in the sections that follow.

Personal and Commercial Banking Canada (P&C Canada) — Table 23

(Canadian $ in millions, except as noted)	Q2-2013	Q2-2012	% Increase (Decrease) vs. Q2-2012	Q1-2013	% Increase (Decrease) vs. Q1-2013	YTD-2013	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income (teb)	**1,059**	1,068	(1)	1,102	(4)	**2,161**	2,184	(1)
Non-interest revenue	**473**	461	3	461	3	**934**	908	3
Total revenue (teb)	**1,532**	1,529	-	1,563	(2)	**3,095**	3,092	-
Provision for credit losses	**154**	167	(8)	128	20	**282**	322	(12)
Non-interest expense	**794**	775	3	813	(2)	**1,607**	1,583	2
Income before income taxes	**584**	587	(1)	622	(6)	**1,206**	1,187	1
Provision for income taxes (teb)	**154**	154	-	164	(6)	**318**	313	1
Reported net income	**430**	433	(1)	458	(6)	**888**	874	2
Adjusted net income	**431**	436	(1)	461	(6)	**892**	879	2
Personal revenue	**964**	971	(1)	979	(2)	**1,943**	1,945	-
Commercial revenue	**568**	558	2	584	(3)	**1,152**	1,147	-
Operating leverage (%)	**(2.5)**	2.1	nm	(0.7)	nm	**(1.5)**	(1.7)	nm
Efficiency ratio (%) (teb)	**51.9**	50.6	1.3	52.0	(0.1)	**51.9**	51.2	0.7
Net interest margin on earning assets (%) (teb)	**2.59**	2.83	(0.24)	2.65	(0.06)	**2.62**	2.87	(0.25)
Average earning assets ($ billions)	**167.7**	153.6	9	164.7	2	**166.2**	152.9	9

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

Q2 2013 vs Q2 2012

P&C Canada net income of $430 million was essentially unchanged from a year ago. Revenue was consistent with the prior year as the effect of strong volume growth across most products was offset by the impact of lower net interest margin. Provisions for credit losses fell $13 million or 8% due to a decrease in provisions in the consumer portfolio.

Non-interest expense increased $19 million or 3% due to continued investment in the business including higher employee-related costs with increases in front-line resources across a number of roles.

Our investment campaign was a success with strong mutual fund growth and good growth in tax-free savings account balances. Our commercial loan and deposit growth continues to show momentum.

In the commercial banking segment, revenue increased $10 million due to the effects of higher balance and fee volumes across most products, partially offset by the impact of lower net interest margin.

Commercial loan balances increased 12% year over year, marking the fourth straight quarter of increasing growth. Commercial deposit balances growth was 12%, marking the third straight quarter of increasing growth.

In the personal banking segment, revenue decreased $7 million year over year due to the impact of lower net interest margin, partially offset by the effects of higher balance and fee volumes across most products. Total personal lending balances (including mortgages, Homeowner ReadiLine and other consumer lending products, but excluding credit cards) increased 10% year over year. Total personal lending (excluding credit cards) market share was up 16 basis points and would have increased even more except for the impact from two recent acquisitions by competitors.

Personal deposit balances increased 4% year over year mainly due to increased retail operating deposits.

Net interest margin decreased 24 basis points to 2.59% due to lower deposit spreads in the low rate environment, changes in mix including customer preferences for lower margin deposit products and loan growth exceeding deposit growth.

Average current loans and acceptances increased $15 billion or 10% from a year ago, and deposits increased $7 billion or 7%.

Q2 2013 vs Q1 2013

Net income decreased $28 million or 6% from last quarter due to the impact of fewer days and higher provisions for credit losses. Revenue decreased $31 million or 2%, due to three fewer days in the current quarter and, otherwise increased as the effects of higher balance and fee volumes across most products were partially offset by the impact of lower net interest margin. Net interest margin decreased 6 basis points.

Commercial revenue decreased $16 million due to fewer days and the impact of lower net interest margin, partially offset by the effects of higher volumes across most products.

Commercial lending market share for small and medium-sized loans was up 10 basis points and commercial deposits market share was up 43 basis points.

Personal revenue decreased $15 million, due to fewer days and the impact of lower net interest margin, partially offset by the effects of higher balance and fee volumes across most products. Personal lending market share was up 5 basis points and would have increased even more except for the impact from a recent acquisition by a competitor.

Provisions for credit losses increased $26 million, with the bulk of the increase in the commercial portfolio, primarily due to a higher provision related to one account.

Non-interest expense decreased $19 million or 2% mainly due to fewer days in the current quarter and expenses in the first quarter for performance-based compensation in respect of employees eligible to retire.

Average current loans and acceptances increased $3 billion or 2% from last quarter, while deposits increased $2 billion or 2%.

Q2 YTD 2013 vs Q2 YTD 2012

Net income increased $14 million or 2% year to date. Revenue was up due to the effects of higher balance and fee volumes across most products, largely offset by the impact of lower net interest margin.

Provisions for credit losses decreased $40 million due to lower write-offs in personal loans and credit cards.

Non-interest expense increased $24 million or 2% primarily due to continued investment in the business, including higher employee-related costs with increases in front-line resources across a number of roles.

Average current loans and acceptances increased $14 billion or 9%, while deposits increased $6 billion or 5%. The rate of year-to-date loan growth was more than double last year's levels and year-to-date deposit growth was also higher.

Personal and Commercial Banking U.S. (P&C U.S.) — Table 24

(Canadian $ in millions, except as noted)	Q2-2013	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	YTD-2013	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income (teb)	**594**	604	(2)	600	(1)	**1,194**	1,242	(4)
Non-interest revenue	**136**	134	2	152	(10)	**288**	283	2
Total revenue (teb)	**730**	738	(1)	752	(3)	**1,482**	1,525	(3)
Provision for credit losses	**55**	60	(10)	32	69	**87**	123	(29)
Non-interest expense	**455**	469	(3)	449	1	**904**	962	(6)
Income before income taxes	**220**	209	7	271	(18)	**491**	440	12
Provision for income taxes (teb)	**65**	67	1	89	(23)	**154**	139	12
Reported net income	**155**	142	9	182	(15)	**337**	301	12
Adjusted net income	**168**	157	6	195	(15)	**363**	333	9
Operating leverage (%)	**2.2**	2.9	nm	4.3	nm	**3.3**	4.9	nm
Adjusted operating leverage (%)	**1.3**	8.1	nm	3.9	nm	**2.6**	10.0	nm
Efficiency ratio (%) (teb)	**62.2**	63.6	(1.4)	59.8	2.4	**61.0**	63.1	(2.1)
Adjusted efficiency ratio (%) (teb)	**59.6**	60.4	(0.8)	57.1	2.5	**58.4**	60.0	(1.6)
Net interest margin on earning assets (%) (teb)	**4.17**	4.39	(0.22)	4.21	(0.04)	**4.19**	4.43	(0.24)
Average earning assets ($ billions)	**57.7**	55.4	4	56.5	2	**57.1**	56.1	2
U.S. Select Financial Data (US$ in millions, except as noted)								
Net interest income (teb)	**583**	609	(4)	603	(3)	**1,186**	1,239	(4)
Non-interest revenue	**135**	134	-	152	(12)	**287**	282	2
Total revenue (teb)	**718**	743	(4)	755	(5)	**1,473**	1,521	(3)
Non-interest expense	**447**	473	(6)	451	(1)	**898**	960	(7)
Reported net income	**152**	143	6	183	(17)	**335**	300	12
Adjusted net income	**163**	158	3	197	(17)	**360**	332	9
Average earning assets (US$ billions)	**56.7**	55.8	2	56.7	-	**56.7**	55.9	1

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

Q2 2013 vs Q2 2012 (in U.S. $)

Net income of $152 million increased $9 million or 6% from $143 million in the second quarter a year ago. Adjusted net income was $163 million, an increase of $5 million or 3% from a year ago due to reduced expenses and lower provisions for credit losses.

Revenue of $718 million decreased $25 million or 4% from a year ago, as increased commercial lending fees and commercial loan growth were more than offset by reductions in certain loan portfolios, net interest margin and deposit fees.

Net interest margin decreased by 22 basis points due to lower deposit spreads, largely as a result of the low rate environment, as well as a decline in loan spreads.

Provisions for credit losses were $53 million, compared with $61 million a year ago.

Non-interest expense of $447 million decreased $26 million or 6%. Adjusted non-interest expense of $428 million was $22 million or 5% lower, primarily reflecting synergy-related savings in the current quarter, partially offset by the effects of selective investments in the business.

Average current loans and acceptances increased $0.2 billion year over year to $51 billion. The core commercial and industrial loan portfolio continues to grow, increasing by $3.3 billion or 17% from a year ago. As expected, there were decreases in certain loan portfolios and in our personal loan balances, due in part to the effects of our continued practice of selling most mortgage originations in the secondary market and active loan portfolio management.

Average deposits increased modestly year over year to $60 billion, as growth in our commercial business and in our personal chequing and savings accounts were largely offset by a planned decline in higher cost personal money market and time deposit accounts.

Q2 2013 vs Q1 2013 (in U.S. $)

Net income decreased $31 million or 17% from the prior quarter. Adjusted net income decreased $34 million or 17%. The decrease was primarily due to reduced revenue and increased provisions for credit losses from the very low levels of the first quarter.

There were very strong results in the first quarter with strong revenue on sales of newly originated mortgages, very strong commercial lending fees, due to customers' response to anticipated U.S. tax changes that accelerated commercial lending, and high recoveries of previously recorded credit losses.

Revenue decreased $37 million or 5% from the strong first quarter, due to fewer days in the current quarter, lower lending, deposit and other fee revenues and a decline in net interest margin.

Net interest margin decreased by 4 basis points primarily due to lower deposit and loan spreads, largely as a result of the low interest rate environment.

Provisions for credit losses increased $20 million from the unusually low levels of the prior quarter, with the majority of the increase in the commercial portfolio, due to higher recoveries in the prior quarter.

Non-interest expense decreased $4 million or 1% from the prior quarter. Adjusted non-interest expense decreased $3 million or 1%.

Average current loans and acceptances increased from the prior quarter, our second consecutive quarter of positive growth, driven by commercial banking loan growth. Core commercial and industrial loans increased $0.8 billion or 4% from the previous quarter.

Average deposits decreased modestly from the prior quarter due to a planned reduction in higher cost deposits and normal fluctuations in our commercial clients' cash management activities.

Q2 YTD 2013 vs Q2 YTD 2012 (in U.S. $)

Net income of $335 million increased $35 million or 12%. Adjusted net income of $360 million increased $28 million or 9% due to reduced expense and lower provisions for credit losses.

Revenue decreased $48 million or 3% to $1,473 million. The benefit of increased commercial loans and fees and higher gains on the sales of newly originated mortgages were more than offset by the effect of lower net interest margin and reductions in deposit fees and securities gains.

Net interest margin decreased by 24 basis points primarily due to lower deposit spreads in the low interest rate environment and lower loan spreads.

Provisions for credit losses of $86 million decreased $37 million year over year.

Non-interest expense of $898 million decreased $62 million or 7%. Adjusted non-interest expense of $859 million decreased $54 million or 6%. The decrease was primarily due to synergy-related savings in the current year and the recognition of a litigation expense in the prior year, partially offset by the effects of selective investments in the business.

Average current loans and acceptances of $51 billion increased slightly from the prior year, while deposits of $60 billion increased $1 billion or 1%.

Adjusted results in the foregoing P&C U.S. sections are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Private Client Group (PCG) **Table 25**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income (teb)	**135**	129	4	137	(1)	**272**	295	(8)
Non-interest revenue	**630**	615	2	642	(2)	**1,272**	1,146	11
Total revenue (teb)	**765**	744	3	779	(2)	**1,544**	1,441	7
Provision for credit losses	**1**	1	-	2	(77)	**3**	6	(57)
Non-interest expense	**586**	553	6	569	3	**1,155**	1,111	4
Income before income taxes	**178**	190	(5)	208	(14)	**386**	324	20
Provision for income taxes (teb)	**37**	43	(11)	45	(16)	**82**	73	15
Reported net income	**141**	147	(4)	163	(14)	**304**	251	21
Adjusted net income	**148**	153	(3)	169	(13)	**317**	262	21
Financial Measures and Ratios (%)								
Return on equity (%)	**19.9**	27.6	(7.7)	23.2	(3.3)	**21.5**	23.6	(2.1)
Adjusted return on equity (%)	**20.9**	28.6	(7.7)	24.1	(3.2)	**22.5**	24.6	(2.1)
Operating leverage (%)	**(3.0)**	5.0	nm	9.8	nm	**3.3**	(4.3)	nm
Adjusted operating leverage	**(2.8)**	6.2	nm	10.1	nm	**3.6**	(3.2)	nm
Efficiency ratio (%) (teb)	**76.6**	74.4	2.2	73.0	3.6	**74.8**	77.1	(2.3)
Adjusted efficiency ratio (%) (teb)	**75.4**	73.4	2.0	71.9	3.5	**73.6**	76.2	(2.6)
Net interest margin on earning assets (%) (teb)	**2.86**	3.00	(0.14)	2.90	(0.04)	**2.88**	3.42	(0.54)
Average earning assets ($ billions)	**19.4**	17.6	10	18.8	3	**19.1**	17.4	10
U.S. Select Financial Data (US$ in millions, except as noted)								
Total revenue (teb)	**175**	166	5	172	1	**347**	357	(3)
Non-interest expense	**144**	136	6	143	1	**287**	275	4
Reported net income	**19**	18	10	19	-	**38**	49	(23)
Adjusted net income	**25**	23	15	24	8	**49**	57	(14)
Average earning assets ($ billions)	**2.6**	3.0	(11)	2.6	-	**2.6**	3.0	(12)

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

Q2 2013 vs Q2 2012

Net income was $141 million, down $6 million or 4% from a year ago. Adjusted net income was $148 million, down $5 million or 3% from a year ago. Adjusted net income in PCG, excluding Insurance, was $114 million, up $13 million or 14% from a year ago. Results reflect higher revenue, driven by growth in new client assets and market appreciation, and a continued focus on productivity. Adjusted net income in Insurance was $34 million, down $18 million or 34% from a year ago. The decrease was due to the impact of unfavourable movements in long-term interest rates relative to a year ago, offset in part by the benefits of changes in our investment portfolio to improve asset-liability management and continued business growth in both the creditor and life insurance businesses.

Revenue was $765 million, up $21 million or 3% from a year ago. Revenue in PCG, excluding Insurance, was up 7% from a year ago and Insurance revenue was down 31%, due to the factors mentioned above.

Non-interest expense was $586 million, up $33 million or 6% from a year ago. Adjusted non-interest expense was $576 million, up $30 million or 5% due to higher revenue-based costs, in line with revenue growth, coupled with costs of recent acquisitions. Growth in expenses was offset in part by savings from a continued focus on productivity.

Assets under management and administration grew by $57 billion or 12% from a year ago to $522 billion, driven by growth in new client assets and market appreciation.

Q2 2013 vs Q1 2013

Net income was down $22 million or 14% and adjusted net income was down $21 million or 13% from the first quarter. Adjusted net income in PCG, excluding Insurance, was up $9 million or 8%. Adjusted net income in Insurance was down $30 million or 47%.

Revenue was down $14 million or 2%. Revenue in PCG, excluding Insurance, was up 3%, driven by higher revenues from fee-based products, increased brokerage transactions and a modest benefit from recent acquisitions. Insurance revenue was down 38%, primarily due to unfavourable movements in long-term interest rates relative to the first quarter.

Non-interest expense increased $17 million or 3%, while adjusted non-interest expense was up $15 million or 3%. The increase was due to higher revenue-based costs and recent acquisitions, offset in part by stock-based compensation costs for employees eligible to retire that are expensed in the first quarter.

Assets under management and administration grew by $21 billion or 4% due to market appreciation and growth in new client assets.

Q2 YTD 2013 vs Q2 YTD 2012

Net income was $304 million, up $53 million or 21% from a year ago. Adjusted net income was $317 million, up $55 million or 21% from a year ago. Adjusted net income in PCG, excluding Insurance, was $219 million, up $21 million or 11%. Adjusted net income in Insurance was $98 million, up $34 million or 54%.

Revenue was $1,544 million, up $103 million or 7% from a year ago. Revenue in PCG, excluding Insurance, was up 5% due to higher revenues from fee-based products and recent acquisitions. Prior year results included higher than usual revenue from a strategic investment. Insurance revenue was up 32% due to the benefits of changes in our investment portfolio to improve asset-liability management and continued business growth in both the creditor and life insurance businesses. The impact from the decline in long-term interest rates was relatively unchanged from the prior year.

Non-interest expense was $1,155 million, up $44 million or 4% from a year ago. Adjusted non-interest expense was $1,137 million, up $40 million or 4%. The increase was due to higher revenue-based costs, in line with revenue growth, and costs of recent acquisitions, offset in part by savings from a continued focus on productivity.

Adjusted results in the foregoing PCG sections are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

BMO Capital Markets **Table 26**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income (teb)	**299**	311	(4)	298	-	**597**	601	(1)
Non-interest revenue	**551**	481	14	606	(9)	**1,157**	966	20
Total revenue (teb)	**850**	792	7	904	(6)	**1,754**	1,567	12
Provision for credit losses	**(6)**	19	(+100)	(15)	66	**(21)**	10	(+100)
Non-interest expense	**503**	469	7	515	(2)	**1,018**	953	7
Income before income taxes	**353**	304	16	404	(13)	**757**	604	25
Provision for income taxes (teb)	**78**	71	7	94	(21)	**172**	147	17
Reported net income	**275**	233	18	310	(11)	**585**	457	28
Adjusted net income	**276**	233	19	310	(11)	**586**	457	28
Trading Products revenue	**550**	478	15	541	1	**1,091**	996	10
Investment and Corporate Banking revenue	**300**	314	(5)	363	(17)	**663**	571	16
Return on equity (%)	**19.4**	19.2	0.2	21.3	(1.9)	**20.4**	19.5	0.9
Operating leverage (%)	**0.1**	(5.3)	nm	10.3	nm	**5.2**	(12.4)	nm
Efficiency ratio (%) (teb)	**59.3**	59.3	-	56.9	2.4	**58.1**	60.8	(2.7)
Net interest margin on earning assets (%) (teb)	**0.61**	0.66	(0.05)	0.59	0.02	**0.60**	0.64	(0.04)
Average earning assets ($ billions)	**202**	193	5	201	1	**201**	189	6
U.S. Select Financial Data (US$ in millions, except as noted)								
Total revenue (teb)	**266**	243	9	290	(9)	**556**	490	13
Non-interest expense	**211**	204	3	212	(1)	**423**	405	4
Reported net income	**46**	24	97	84	(45)	**130**	65	100
Adjusted net income	**47**	24	99	84	(44)	**131**	65	+100
Average earning assets (US$ billions)	**81**	71	15	74	10	**78**	70	11

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

Q2 2013 vs Q2 2012

Net income for the quarter increased $42 million or 18% from the prior year to $275 million, with good results across many of our lines of business. ROE was 19.4%, relatively unchanged from 19.2% a year ago.

Revenue increased $58 million or 7% to $850 million, driven by increases in our Trading Products business. Despite a low volatility environment, we saw stable client flows as well as trading opportunities contributing to stronger performance in our interest rate activities. We also recorded higher corporate banking revenue in our investment and corporate banking business. The stronger U.S. dollar increased revenues by $9 million relative to a year ago.

Non-interest expense increased $34 million or 7%, primarily due to higher technology and support costs, and increased employee costs in line with better revenue performance. The stronger U.S. dollar increased expenses by $5 million relative to a year ago.

Q2 2013 vs Q1 2013

Net income decreased $35 million or 11% from the previous quarter and revenue was $54 million or 6% lower. Coming off a very strong first quarter for mergers & acquisitions, we saw a reduction in investment banking revenue including weaker debt underwriting, partially offset by increased investment securities gains. The stronger U.S. dollar increased revenue by $8 million relative to the previous quarter.

Non-interest expense decreased $12 million. Employee costs were down, due to both lower revenue performance and the first quarter including the cost of stock-based compensation for employees that are eligible to retire. The stronger U.S. dollar increased expenses $4 million relative to the previous quarter.

Q2 YTD 2013 vs Q2 YTD 2012

Net income increased $128 million or 28% from the previous year to $585 million. Revenue was $187 million or 12% higher, driven by increases in trading revenues and investment banking fees. The stronger U.S. dollar increased revenue by $2 million relative to the prior year.

Non-interest expense was $65 million or 7% higher than in the prior year, primarily due to increased employee costs, in line with better revenue performance, along with higher technology and support costs.

Corporate Services, Including Technology and Operations — Table 27

(Canadian $ in millions, except as noted)	**Q2-2013**	Q2-2012	% Increase (Decrease) vs Q2-2012	Q1-2013	% Increase (Decrease) vs Q1-2013	**YTD-2013**	YTD-2012	% Increase (Decrease) vs YTD-2012
Net interest income before group teb offset	**82**	64	29	143	(42)	**225**	224	-
Group teb offset	**(71)**	(56)	(27)	(64)	(10)	**(135)**	(108)	(25)
Net interest income (teb)	**11**	8	42	79	(86)	**90**	116	(23)
Non-interest revenue	**56**	148	(62)	4	+100	**60**	335	(82)
Total revenue (teb)	**67**	156	(57)	83	(17)	**150**	451	(67)
Provision for (recovery of) credit losses	**(59)**	(52)	(12)	31	(+100)	**(28)**	(125)	77
Non-interest expense	**230**	233	(1)	244	(6)	**474**	444	7
Profit (loss) before income taxes	**(104)**	(25)	(+100)	(192)	46	**(296)**	132	(+100)
Provision for (recovery of) income taxes (teb)	**(78)**	(98)	21	(127)	39	**(205)**	(122)	(70)
Reported net income (loss)	**(26)**	73	(+100)	(65)	61	**(91)**	254	(+100)
Adjusted Results								
Adjusted total revenue (teb)	**(118)**	(76)	(54)	(137)	16	**(255)**	(155)	(66)
Adjusted recovery of credit losses	**(94)**	(96)	(2)	(51)	84	**(145)**	(219)	(33)
Adjusted non-interest expense	**95**	124	(22)	149	(36)	**244**	193	27
Adjusted net income (loss)	**(26)**	3	(+100)	(94)	73	**(120)**	23	(+100)
Corporate Services Provision for (Recovery of) Credit Losses								
Impaired real estate loan portfolio	**13**	21	(38)	8	63	**21**	40	(48)
Purchased credit impaired loans	**(107)**	(117)	(9)	(59)	81	**(166)**	(259)	(36)
Recovery of credit losses, adjusted basis	**(94)**	(96)	(2)	(51)	84	**(145)**	(219)	(33)
Collective provision	**(30)**	-	nm	-	nm	**(30)**	19	(+100)
Purchased performing loans	**65**	44	48	82	(21)	**147**	75	96
Provision for (recovery of) credit losses, reported basis	**(59)**	(52)	(12)	31	(+100)	**(28)**	(125)	77
Average loans and acceptances	**1,068**	2,015	(47)	1,189	(10)	**1,129**	2,100	(46)
Period-end loans and acceptances	**995**	1,782	(44)	1,054	(6)	**995**	1,782	(44)
U.S. Select Financial Data (US$ in millions)								
Total revenue (teb)	**68**	99	(32)	116	(41)	**184**	307	(40)
Provision for (recovery of) credit losses	**(79)**	(41)	(89)	24	(+100)	**(55)**	(144)	62
Non-interest expense	**90**	126	(28)	139	(35)	**229**	224	2
Reported net income (loss)	**39**	23	57	(11)	+100	**28**	177	(85)
Adjusted total revenue (teb)	**(105)**	(54)	(98)	(96)	(9)	**(201)**	(78)	(+100)
Adjusted recovery of credit losses	**(93)**	(94)	(2)	(55)	71	**(148)**	(217)	(31)
Adjusted non-interest expense	**31**	50	(37)	47	(33)	**78**	48	60
Adjusted net income (loss)	**(23)**	8	(+100)	(36)	30	**(59)**	92	(+100)

Adjusted results in this table are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.
nm – not meaningful

Corporate Services

Corporate Services consists of Corporate Units and Technology and Operations.

Corporate Units provides enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and compliance, marketing, communications and human resources.

Technology and Operations (T&O) manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group.

The costs of Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, PCG and BMO Capital Markets), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services adjusted operating results largely reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired asset portfolios and the recovery of provisions for credit losses on the M&I purchased credit impaired loan portfolio. Corporate Services reported results also reflect a number of items and activities that are excluded from BMO's adjusted results to help assess BMO's performance. These adjusting items are not reflective of core operating results. They are itemized in the Non-GAAP Measures section. All adjusting items are recorded in Corporate Services except the amortization of acquisition-related intangible assets, which is recorded in the operating groups.

Financial Performance Review

Corporate Services net loss for the quarter was $26 million, compared with net income of $73 million a year ago. The adjusted net loss in the second quarter of 2013 was $26 million, compared with adjusted net income of $3 million a year ago. Adjusted revenues were $42 million lower due to a higher teb group offset in the current quarter and lower revenue from a variety of items, none of which were individually significant. Adjusted expenses were $29 million lower primarily due to lower technology-related costs. Adjusted recoveries of credit losses decreased $2 million.

Corporate Services net loss for the quarter was $26 million, compared with a net loss of $65 million in the first quarter. The adjusted net loss for the quarter was $26 million, compared with an adjusted net loss of $94 million in the first quarter. Adjusted revenues were $19 million higher, from a variety of items, none of which were individually significant. Adjusted expenses were $54 million lower mainly due to reduced performance-based compensation, due in part to the costs for employees eligible to retire that are expensed in the first quarter of each year, and severance costs recognized in the first quarter. Adjusted recoveries of credit losses increased $43 million primarily due to increased recoveries of credit losses on the M&I purchased credit impaired loan portfolio.

Corporate Services net loss for the year to date was $91 million, compared with net income of $254 million a year ago. Adjusted net loss for the year to date was $120 million, a decline of $143 million from a year ago. Adjusted revenues were $100 million lower, primarily due to a higher group teb offset and lower revenue from a variety of items, none of which were individually significant. Adjusted expenses were $51 million higher, primarily due to increased technology investment spending and higher benefit costs, including pension costs. Adjusted recoveries of credit losses were $74 million lower, primarily due to lower recoveries of credit losses on the M&I purchased credit impaired loan portfolio.

Loans and acceptances at the end of the current quarter were $995 million, down $787 million from the prior year and $59 million from the preceding quarter, reflecting decreases in the impaired commercial real-estate-secured loan portfolio due to the proactive management of this portfolio.

Adjusted results in the foregoing Corporate Services section are non-GAAP amounts or non-GAAP measures. Please see the Non-GAAP Measures section.

Non-GAAP Measures (1) **Table 28**

(Canadian $ in millions, except as noted)	**Q2-2013**	Q1-2013	Q2-2012	**YTD-2013**	YTD-2012
Reported Results					
Revenue	**3,944**	4,081	3,959	**8,025**	8,076
Non-interest expense	**(2,568)**	(2,590)	(2,499)	**(5,158)**	(5,053)
Pre-provision, pre-tax earnings	**1,376**	1,491	1,460	**2,867**	3,023
Provision for credit losses	**(145)**	(178)	(195)	**(323)**	(336)
Provision for income taxes	**(256)**	(265)	(237)	**(521)**	(550)
Net Income	**975**	1,048	1,028	**2,023**	2,137
Reported Measures (% except as noted)					
EPS ($)	**1.42**	1.53	1.51	**2.95**	3.14
Net income growth	**(5)**	(5)	27	**(5)**	31
EPS growth	**(6)**	(6)	14	**(6)**	18
Revenue growth	**-**	(1)	19	**(1)**	19
Non-interest expense growth	**3**	1	23	**2**	24
Efficiency ratio	**65.1**	63.5	63.1	**64.3**	62.6
Operating leverage	**(3.2)**	(2.3)	(4.4)	**(2.7)**	(4.9)
Return on equity	**14.2**	14.9	16.2	**14.6**	16.7
Adjusting Items (Pre-tax)					
Credit-related items on the M&I purchased performing loan portfolio (2)	**119**	128	90	**247**	274
M&I integration costs (3)	**(50)**	(92)	(74)	**(142)**	(144)
Amortization of acquisition-related intangible assets (3)	**(31)**	(31)	(33)	**(62)**	(67)
Decrease (increase) in the collective allowance for credit losses	**22**	-	18	**22**	18
Run-off structured credit activities (4)	**6**	7	76	**13**	212
Restructuring costs (3)	**(82)**	-	(31)	**(82)**	(99)
Adjusting items included in reported pre-tax income	**(16)**	12	46	**(4)**	194
Adjusting Items (After tax)					
Credit-related items on the M&I purchased performing loan portfolio	**73**	79	55	**152**	169
M&I integration costs	**(31)**	(57)	(47)	**(88)**	(90)
Amortization of acquisition-related intangible assets	**(22)**	(22)	(24)	**(44)**	(48)
Decrease (increase) in the collective allowance for credit losses	**11**	-	12	**11**	12
Run-off structured credit activities	**6**	7	73	**13**	209
Restructuring costs	**(59)**	-	(23)	**(59)**	(69)
Adjusting items included in reported after-tax net income	**(22)**	7	46	**(15)**	183
EPS ($)	**(0.04)**	0.01	0.07	**(0.02)**	0.28
Adjusted Results (1)					
Revenue	**3,759**	3,861	3,727	**7,620**	7,470
Non-interest expense	**(2,402)**	(2,464)	(2,357)	**(4,866)**	(4,735)
Pre-provision, pre-tax earnings	**1,357**	1,397	1,370	**2,754**	2,735
Provision for credit losses	**(110)**	(96)	(151)	**(206)**	(242)
Provision for income taxes	**(250)**	(260)	(237)	**(510)**	(539)
Adjusted net Income	**997**	1,041	982	**2,038**	1,954
Adjusted Measures (% except as noted) (1)					
EPS ($)	**1.46**	1.52	1.44	**2.97**	2.86
Net income growth	**2**	7	28	**4**	23
EPS growth	**1**	7	15	**4**	11
Revenue growth	**1**	3	15	**2**	12
Non-interest expense growth	**2**	4	18	**3**	17
Efficiency ratio	**63.9**	63.8	63.2	**63.9**	63.4
Operating leverage	**(1.0)**	(0.4)	(3.3)	**(0.8)**	(5.5)
Return on equity	**14.5**	14.8	15.4	**14.7**	15.2

(1) Adjusted results in this table are non-GAAP amounts or non-GAAP measures.
(2) Comprised of $176 million of net interest income, $65 million of specific provisions for credit losses and $8 million of collective recoveries in Q2-2013; $210 million of net interest income and $82 million of specific provisions for credit losses in Q1-2013; and $152 million of net interest income, $44 million of specific provisions for credit losses and $18 million of collective provisions in Q2-2012.
(3) Included in non-interest expense.
(4) Substantially all included in trading revenue, in non-interest revenue.

Non-GAAP Measures (Cont'd.)

Results and measures in this MD&A are presented on a GAAP basis. They are also presented on an adjusted basis that excludes the impact of certain items as set out in Table 28. Management assesses performance on both a reported and an adjusted basis and considers both bases to be useful in assessing underlying ongoing business performance. Presenting results on both bases provides readers with an enhanced understanding of how management views results. It also permits readers to assess the impact of the specified items on results for the periods presented and to better assess results excluding those items if they consider the items to not be reflective of ongoing results. As such, the presentation may facilitate readers' analysis of trends, as well as comparisons with our competitors. Adjusted results and measures are non-GAAP and as such do not have standardized meaning under GAAP. They are unlikely to be comparable to similar measures presented by other companies and should not be viewed in isolation from or as a substitute for GAAP results. Details of adjustments are also set out in the Adjusted Net Income section.

Certain of the adjusting items relate to expenses that arise as a result of acquisitions, including the amortization of acquisition-related intangible assets, and these expenses have been designated as adjusting items because the purchase decision may not consider the amortization of such assets to be a relevant expense. Certain other acquisition-related costs in respect of the acquired M&I business have been designated as adjusting items due to the significance of the amounts and the fact that they can affect trend analysis. Certain other items have also been designated as adjusting items due to their effects on trend analysis. These include changes in the collective allowance and credit-related amounts in respect of the acquired M&I performing loan portfolio, structured credit run-off activities and restructuring costs. All of the above adjusting items are recorded in Corporate Services except the amortization of acquisition-related intangible assets, which is charged to the operating groups as outlined below.

Net economic profit represents net income available to common shareholders after deduction of a charge for capital, and is considered an effective measure of added economic value.

Pre-provision, pre-tax earnings is considered a useful measure of performance because it excludes the effects of credit losses and income taxes, which can at times mask performance because of their size and variability.

In the second quarter of 2013, adjusting items decreased reported net income by $22 million after tax, comprised of a $73 million after-tax net benefit of credit-related items in respect of the M&I purchased performing loan portfolio (including $176 million in net interest income, net of a $57 million provision for credit losses and related income taxes of $46 million); costs of $50 million ($31 million after tax) for the integration of M&I; a restructuring charge of $82 million ($59 million after tax) to align our cost structure with the current and future business environment; a decrease in the collective allowance for credit losses of $22 million ($11 million after tax) on loans other than the M&I purchased loan portfolio; a $31 million ($22 million after tax) charge for amortization of acquisition-related intangible assets on all acquisitions; and a benefit on run-off structured credit activities of $6 million before and after tax primarily included in trading revenue. The $57 million provision included in the credit-related items above included $65 million of specific provisions and an $8 million decrease in the collective allowance for credit losses on the acquired M&I performing loan portfolio. Amortization of acquisition-related intangible assets was charged to the operating groups as follows: P&C Canada $1 million before and after tax; P&C U.S. $19 million ($13 million after tax); Private Client Group $10 million ($7 million after tax); and BMO Capital Markets $1 million before and after tax.

In the first quarter of 2013, adjusting items increased net income by $7 million after-tax, comprised of a $79 million after-tax net benefit of credit-related items in respect of the acquired M&I performing loan portfolio (including $210 million in net interest income, net of an $82 million provision for credit losses and related income taxes of $49 million); costs of $92 million ($57 million after tax) for the integration of M&I; a $31 million ($22 million after tax) charge for amortization of acquisition-related intangible assets on all acquisitions; and the benefit from run-off structured credit activities of $7 million before and after tax. Amortization of acquisition-related intangible assets was charged to the operating groups as follows: P&C Canada $3 million before and after tax; P&C U.S. $20 million ($13 million after tax); and Private Client Group $8 million ($6 million after tax).

In the second quarter of 2012, adjusting items increased reported net income by $46 million after tax, comprised of a $55 million after-tax net benefit of credit-related items in respect of the M&I purchased performing loan portfolio (including $152 million in net interest income, net of a $62 million provision for credit losses and related income taxes of $35 million); a decrease in the collective allowance for credit losses of $18 million ($12 million after tax); costs of $74 million ($47 million after tax) for the integration of M&I; a $33 million ($24 million after tax) charge for amortization of acquisition-related intangible assets on all acquisitions; a benefit of $76 million ($73 million after tax) from the results of run-off structured credit activities; and a restructuring charge of $31 million ($23 million after tax). Amortization of acquisition-related intangible assets was charged to the operating groups as follows: P&C Canada $3 million before and after tax; P&C U.S. $23 million ($15 million after tax); and Private Client Group $7 million ($6 million after tax).

Our complete Second Quarter 2013 Report to Shareholders, including our unaudited interim consolidated financial statements for the period ended April 30, 2013, is available online at www.bmo.com/investorrelations and at www.sedar.com.

Consolidated Statement of Income

(Unaudited) (Canadian $ in millions, except as noted)	For the three months ended					For the six months ended	
	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012	**April 30, 2013**	April 30, 2012
Interest, Dividend and Fee Income							
Loans	**$ 2,621**	$ 2,741	$ 2,786	$ 2,807	$ 2,680	**$ 5,362**	$ 5,548
Securities	**515**	576	570	568	536	**1,091**	1,127
Deposits with banks	**61**	61	58	72	64	**122**	109
	3,197	3,378	3,414	3,447	3,280	**6,575**	6,784
Interest Expense							
Deposits	**619**	666	700	680	570	**1,285**	1,198
Subordinated debt	**36**	35	32	37	47	**71**	96
Capital trust securities (Note 11)	**11**	12	12	12	11	**23**	27
Other liabilities	**433**	449	525	493	532	**882**	1,025
	1,099	1,162	1,269	1,222	1,160	**2,261**	2,346
Net Interest Income	**2,098**	2,216	2,145	2,225	2,120	**4,314**	4,438
Non-Interest Revenue							
Securities commissions and fees	**295**	280	282	276	303	**575**	588
Deposit and payment service charges	**222**	225	230	232	227	**447**	467
Trading revenues	**230**	223	312	140	228	**453**	573
Lending fees	**169**	188	175	169	137	**357**	297
Card fees	**178**	177	181	186	174	**355**	341
Investment management and custodial fees	**179**	172	186	188	179	**351**	351
Mutual fund revenues	**193**	187	168	161	159	**380**	318
Underwriting and advisory fees	**102**	166	111	123	130	**268**	208
Securities gains, other than trading	**49**	26	56	14	40	**75**	82
Foreign exchange, other than trading	**58**	37	35	28	51	**95**	90
Insurance income	**66**	107	144	40	105	**173**	151
Other	**105**	77	151	96	106	**182**	172
	1,846	1,865	2,031	1,653	1,839	**3,711**	3,638
Total Revenue	**3,944**	4,081	4,176	3,878	3,959	**8,025**	8,076
Provision for Credit Losses (Note 3)	**145**	178	192	237	195	**323**	336
Non-Interest Expense							
Employee compensation (Note 14)	**1,472**	1,475	1,454	1,337	1,391	**2,947**	2,837
Premises and equipment	**454**	455	527	473	461	**909**	916
Amortization of intangible assets	**85**	87	88	86	82	**172**	165
Travel and business development	**121**	123	129	116	118	**244**	246
Communications	**76**	72	78	79	72	**148**	144
Business and capital taxes	**10**	10	13	10	11	**20**	23
Professional fees	**135**	126	168	161	141	**261**	264
Other	**215**	242	244	222	223	**457**	458
	2,568	2,590	2,701	2,484	2,499	**5,158**	5,053
Income Before Provision for Income Taxes	**1,231**	1,313	1,283	1,157	1,265	**2,544**	2,687
Provision for income taxes	**256**	265	201	187	237	**521**	550
Net Income	**$ 975**	$ 1,048	$ 1,082	$ 970	$ 1,028	**$ 2,023**	$ 2,137
Attributable to:							
Bank shareholders	**957**	1,030	1,064	951	1,010	**1,987**	2,100
Non-controlling interest in subsidiaries	**18**	18	18	19	18	**36**	37
Net Income	**$ 975**	$ 1,048	$ 1,082	$ 970	$ 1,028	**$ 2,023**	$ 2,137
Earnings Per Share (Canadian $) (Note 15)							
Basic	**$ 1.43**	$ 1.53	$ 1.59	$ 1.42	$ 1.52	**$ 2.96**	$ 3.16
Diluted	**1.42**	1.53	1.59	1.42	1.51	**2.95**	3.14

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Unaudited) (Canadian $ in millions)	For the three months ended					For the six months ended	
	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012	**April 30, 2013**	April 30, 2012
Net income	**$ 975**	$ 1,048	$ 1,082	$ 970	$ 1,028	**$ 2,023**	$ 2,137
Other Comprehensive Income (Loss)							
Net change in unrealized gains (losses) on available-for-sale securities							
Unrealized gains (losses) on available-for-sale securities arising during the period (1)	**(11)**	(18)	22	26	6	**(29)**	(24)
Reclassification to earnings of (gains) losses in the period (2)	**(28)**	(15)	(39)	14	(23)	**(43)**	(56)
	(39)	(33)	(17)	40	(17)	**(72)**	(80)
Net change in unrealized gains (losses) on cash flow hedges							
Gains (losses) on cash flow hedges arising during the period (3)	**127**	(58)	15	177	(300)	**69**	(254)
Reclassification to earnings of (gains) on cash flow hedges (4)	**(37)**	(34)	(40)	(29)	(38)	**(71)**	(38)
	90	(92)	(25)	148	(338)	**(2)**	(292)
Net gain (loss) on translation of net foreign operations							
Unrealized gain (loss) on translation of net foreign operations	**198**	(34)	(63)	260	(255)	**164**	(122)
Impact of hedging unrealized gain (loss) on translation of net foreign operations (5)	**(179)**	19	17	(70)	66	**(160)**	18
	19	(15)	(46)	190	(189)	**4**	(104)
Other Comprehensive Income (Loss)	**70**	(140)	(88)	378	(544)	**(70)**	(476)
Total Comprehensive Income	**$ 1,045**	$ 908	$ 994	$ 1,348	$ 484	**$ 1,953**	$ 1,661
Attributable to:							
Bank shareholders	**1,027**	890	976	1,329	466	**1,917**	1,624
Non-controlling interest in subsidiaries	**18**	18	18	19	18	**36**	37
Total Comprehensive Income	**$ 1,045**	$ 908	$ 994	$ 1,348	$ 484	**$ 1,953**	$ 1,661

(1) Net of income tax (provision) recovery of $6, $6, $(12), $(9), $(2) for the three months ended, and $12, $8 for the six months ended periods presented above respectively.

(2) Net of income tax provision (recovery) of $13, $5, $14, $14 , $(11) for the three months ended, $18 and $11 for the six months ended periods presented above respectively.

(3) Net of income tax (provision) recovery of $(42), $21, $(7), $(63), $99 for the three months ended, and $(21), $80 for the six months ended periods presented above respectively.

(4) Net of income tax provision of $12, $12, $14, $9, $15 for the three months ended, and $24, $15 for the six months ended periods presented above respectively.

(5) Net of income tax (provision) recovery of $64, $(7), $(5), $24, $(23) for the three months ended, and $57, $(6) for the six months ended periods presented above respectively.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

(Unaudited) (Canadian $ in millions)

	As at				
	April 30, 2013	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Assets					
Cash and Cash Equivalents	**$ 38,446**	$ 31,519	$ 19,941	$ 33,592	$ 34,117
Interest Bearing Deposits with Banks	**6,230**	6,149	6,341	5,995	7,010
Securities					
Trading	**73,246**	73,580	70,109	70,045	71,432
Available-for-sale (Note 2)	**45,920**	52,541	56,382	59,297	54,906
Held-to-maturity	**2,476**	1,280	875	-	-
Other	**814**	961	958	877	781
	122,456	128,362	128,324	130,219	127,119
Securities Borrowed or Purchased Under Resale Agreements	**59,478**	52,957	47,011	47,453	43,349
Loans (Notes 3 and 6)					
Residential mortgages	**91,439**	89,025	87,870	85,595	82,260
Consumer instalment and other personal	**62,308**	61,531	61,436	60,792	60,002
Credit cards	**7,642**	7,683	7,814	7,837	7,861
Businesses and governments	**95,382**	93,965	90,402	90,952	88,704
	256,771	252,204	247,522	245,176	238,827
Customers' liability under acceptances	**8,514**	8,626	8,019	8,013	7,406
Allowance for credit losses (Note 3)	**(1,725)**	(1,672)	(1,706)	(1,755)	(1,807)
	263,560	259,158	253,835	251,434	244,426
Other Assets					
Derivative instruments	**43,063**	42,548	48,071	52,263	46,760
Premises and equipment	**2,149**	2,165	2,120	2,059	2,033
Goodwill (Note 9)	**3,778**	3,728	3,717	3,732	3,702
Intangible assets	**1,535**	1,534	1,552	1,572	1,541
Current tax assets	**1,527**	1,391	1,293	1,141	2,187
Deferred tax assets	**2,873**	2,792	2,906	3,000	2,820
Other	**10,163**	9,962	10,338	9,788	10,439
	65,088	64,120	69,997	73,555	69,482
Total Assets	**$ 555,258**	$ 542,265	$ 525,449	$ 542,248	$ 525,503
Liabilities and Equity					
Deposits (Note 10)					
Banks	**$ 22,615**	$ 22,586	$ 18,102	$ 23,314	$ 22,508
Businesses and governments	**213,134**	207,058	186,570	183,698	171,539
Individuals	**122,587**	121,281	119,030	121,956	122,020
	358,336	350,925	323,702	328,968	316,067
Other Liabilities					
Derivative instruments	**44,011**	43,516	48,736	53,132	46,472
Acceptances	**8,514**	8,626	8,019	8,013	7,406
Securities sold but not yet purchased	**23,897**	21,439	23,439	22,523	23,834
Securities lent or sold under repurchase agreements	**39,005**	37,709	39,737	47,145	46,076
Current tax liabilities	**551**	304	404	294	1,017
Deferred tax liabilities	**149**	163	171	191	207
Other	**45,846**	44,535	46,596	48,029	50,295
	161,973	156,292	167,102	179,327	175,307
Subordinated Debt	**4,071**	4,064	4,093	4,107	5,276
Capital Trust Securities (Note 11)	**462**	451	462	450	462
Equity					
Share capital (Note 12)	**14,279**	14,492	14,422	14,213	14,033
Contributed surplus	**320**	214	213	216	215
Retained earnings	**14,336**	14,068	13,540	12,977	12,512
Accumulated other comprehensive income	**410**	340	480	568	190
Total shareholders' equity	**29,345**	29,114	28,655	27,974	26,950
Non-controlling interest in subsidiaries	**1,071**	1,419	1,435	1,422	1,441
Total Equity	**30,416**	30,533	30,090	29,396	28,391
Total Liabilities and Equity	**$ 555,258**	$ 542,265	$ 525,449	$ 542,248	$ 525,503

The accompanying notes are an integral part of these interim consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current period's presentation.

Consolidated Statement of Changes in Equity

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2013	April 30, 2012	**April 30, 2013**	April 30, 2012
Preferred Shares				
Balance at beginning of period	**$ 2,465**	$ 2,861	**$ 2,465**	$ 2,861
Redeemed during the period (Note 12)	**(200)**	(396)	**(200)**	(396)
Balance at End of Period	**2,265**	2,465	**2,265**	2,465
Common Shares				
Balance at beginning of period	**12,027**	11,399	**11,957**	11,332
Issued under the Shareholder Dividend Reinvestment and Share Purchase Plan	**45**	152	**82**	198
Repurchased for Cancellation (Note 12)	**(74)**	-	**(74)**	-
Issued under the Stock Option Plan	**16**	17	**49**	38
Balance at End of Period	**12,014**	11,568	**12,014**	11,568
Contributed Surplus				
Balance at beginning of period	**214**	119	**213**	113
Stock option expense / exercised	**(1)**	-	**-**	6
Foreign exchange on redemption of preferred shares (Note 12)	**107**	96	**107**	96
Balance at End of Period	**320**	215	**320**	215
Retained Earnings				
Balance at beginning of period	**14,068**	11,986	**13,540**	11,381
Net income attributable to Bank shareholders	**957**	1,010	**1,987**	2,100
Dividends – Preferred shares	**(28)**	(34)	**(61)**	(71)
– Common shares	**(481)**	(450)	**(950)**	(898)
Common shares repurchased for cancellation (Note 12)	**(180)**	-	**(180)**	-
Balance at End of Period	**14,336**	12,512	**14,336**	12,512
Accumulated Other Comprehensive Income on Available-for-Sale Securities				
Balance at beginning of period	**232**	259	**265**	322
Unrealized gains (losses) on available-for-sale securities arising during the period (1)	**(11)**	6	**(29)**	(24)
Reclassification to earnings of (gains) in the period (2)	**(28)**	(23)	**(43)**	(56)
Balance at End of Period	**193**	242	**193**	242
Accumulated Other Comprehensive Income on Cash Flow Hedges				
Balance at beginning of period	**50**	357	**142**	311
Gains (losses) on cash flow hedges arising during the period (3)	**127**	(300)	**69**	(254)
Reclassification to earnings of (gains) on cash flow hedges (4)	**(37)**	(38)	**(71)**	(38)
Balance at End of Period	**140**	19	**140**	19
Accumulated Other Comprehensive Income on Translation of Net Foreign Operations				
Balance at beginning of period	**58**	118	**73**	33
Unrealized gain (loss) on translation of net foreign operations	**198**	(255)	**164**	(122)
Impact of hedging unrealized gain (loss) on translation of net foreign operations (5)	**(179)**	66	**(160)**	18
Balance at End of Period	**77**	(71)	**77**	(71)
Total Accumulated Other Comprehensive Income	**410**	190	**410**	190
Total Shareholders' Equity	**$ 29,345**	$ 26,950	**$ 29,345**	$ 26,950
Non-controlling Interest in Subsidiaries				
Balance at beginning of period	**1,419**	1,431	**1,435**	1,483
Net income attributable to non-controlling interest	**18**	18	**36**	37
Dividends to non-controlling interest	**(5)**	(5)	**(36)**	(36)
Preferred share redemption	**(359)**	**-**	**(359)**	**-**
Other	**(2)**	(3)	**(5)**	(43)
Balance at End of Period	**1,071**	1,441	**1,071**	1,441
Total Equity	**$ 30,416**	$ 28,391	**$ 30,416**	$ 28,391

(1) Net of income tax (provision) recovery of $6, $(2), $12, $8 for the periods presented above respectively.

(2) Net of income tax provision of $13, $(11), $18, $11 for the periods presented above respectively.

(3) Net of income tax (provision) recovery of $(42), $99, $(21), $80 for the periods presented above respectively.

(4) Net of income tax provision of $12 , $15, $24, $15 for the periods presented above respectively.

(5) Net of income tax (provision) recovery of $64, $(23), $57, $(6) for the periods presented above respectively.

The accompanying notes are an integral part of these interim consolidated financial statements.

Consolidated Statement of Cash Flows

(Unaudited) (Canadian $ in millions)	For the three months ended		For the six months ended	
	April 30, 2013	April 30, 2012	**April 30, 2013**	April 30, 2012
Cash Flows from Operating Activities				
Net income	**$ 975**	$ 1,028	**$ 2,023**	$ 2,137
Adjustments to determine net cash flows provided by (used in) operating activities				
Impairment write-down of securities, other than trading	**9**	2	**9**	3
Net (gain) on securities, other than trading	**(58)**	(42)	**(84)**	(85)
Net (increase) decrease in trading securities	**524**	(662)	**(2,940)**	(1,768)
Provision for credit losses (Note 3)	**145**	195	**323**	336
Change in derivative instruments – (increase) decrease in derivative asset	**(131)**	11,113	**5,597**	7,930
– increase (decrease) in derivative liability	**131**	(8,277)	**(5,196)**	(4,026)
Amortization of premises and equipment	**89**	87	**179**	179
Amortization of intangible assets	**85**	82	**172**	165
(Increase) decrease in deferred income tax asset	**(57)**	234	**53**	516
(Decrease) in deferred income tax liability	**(15)**	(18)	**(23)**	(107)
(Increase) in current income tax asset	**(73)**	(712)	**(177)**	(878)
Increase in current income tax liability	**247**	387	**147**	429
Change in accrued interest – (increase) decrease in interest receivable	**13**	(83)	**140**	(93)
– increase (decrease) in interest payable	**(65)**	33	**(133)**	(79)
Changes in other items and accruals, net	**1,624**	(2,103)	**749**	(3,531)
Net increase in deposits	**5,560**	1,809	**33,492**	13,553
Net (increase) in loans	**(3,624)**	(3,101)	**(8,317)**	(6,424)
Net increase in securities sold but not yet purchased	**2,441**	2,634	**441**	3,711
Net increase (decrease) in securities lent or sold under repurchase agreements	**1,010**	(5,454)	**(1,024)**	14,480
Net (increase) in securities borrowed or purchased under resale agreements	**(6,232)**	(463)	**(12,177)**	(5,719)
Net Cash Provided by (Used In) Operating Activities	**2,598**	(3,311)	**13,254**	20,729
Cash Flows from Financing Activities				
Net (decrease) in liabilities of subsidiaries	**(19)**	(323)	**(195)**	(305)
Proceeds from issuance (maturities) of Covered Bonds (Note 10)	**-**	-	**(1,354)**	2,000
Redemption of securities of a subsidiary (Note 12)	**(359)**	-	**(359)**	-
Redemption of preferred shares (Note 12)	**(200)**	(396)	**(200)**	(396)
Redemption of Capital Trust Securities (Note 11)	**-**	-	**-**	(400)
Proceeds from issuance of common shares	**18**	18	**52**	41
Common shares repurchased for cancellation (Note 12)	**(254)**	-	**(254)**	-
Cash dividends paid	**(466)**	(333)	**(932)**	(774)
Dividends paid to non-controlling interest	**(5)**	(5)	**(36)**	(36)
Net Cash Provided by (Used In) Financing Activities	**(1,285)**	(1,039)	**(3,278)**	130
Cash Flows from Investing Activities				
Net (increase) decrease in interest bearing deposits with banks	**(41)**	537	**147**	(1,074)
Purchases of securities, other than trading	**(7,304)**	(8,863)	**(12,497)**	(19,612)
Maturities of securities, other than trading	**3,017**	3,103	**6,811**	5,981
Proceeds from sales of securities, other than trading	**10,026**	4,885	**13,949**	9,453
Premises and equipment – net purchases	**(47)**	(110)	**(185)**	(155)
Purchased and developed software – net purchases	**(57)**	(79)	**(121)**	(152)
Acquisitions (Note 8)	**(261)**	-	**140**	-
Net Cash Provided by (Used in) Investing Activities	**5,333**	(527)	**8,244**	(5,559)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**281**	(559)	**285**	(859)
Net Increase (Decrease) in Cash and Cash Equivalents	**6,927**	(5,436)	**18,505**	14,441
Cash and Cash Equivalents at Beginning of Period	**31,519**	39,553	**19,941**	19,676
Cash and Cash Equivalents at End of Period	**$ 38,446**	$ 34,117	**$ 38,446**	$ 34,117
Represented by:				
Cash and non-interest bearing deposits with Bank of Canada and other banks	**$ 37,177**	$ 34,220	**$ 37,177**	$ 34,220
Cheques and other items in transit, net	**1,269**	(103)	**1,269**	(103)
	$ 38,446	$ 34,117	**$ 38,446**	$ 34,117
Supplemental Disclosure of Cash Flow Information:				
Net cash provided by operating activities include:				
Amount of Interest paid in the period	**$ 1,163**	$ 1,130	**$ 2,390**	$ 2,430
Amount of Income taxes paid in the period	**$ 141**	$ 280	**$ 476**	$ 459
Amount of interest and dividend income received in the period	**$ 3,183**	$ 3,178	**$ 6,667**	$ 6,644

The accompanying notes are an integral part of these interim consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current period's presentation.

Note 1: Basis of Presentation

Bank of Montreal (the "bank") is a public company incorporated in Canada having its registered office in Montreal, Canada. The bank is a highly diversified financial services provider and provides a broad range of retail banking, wealth management and investment banking products and services.

These interim consolidated financial statements were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. We also comply with interpretations of International Financial Reporting Standards ("IFRS") by our regulator, the Office of the Superintendent of Financial Institutions of Canada ("OSFI"). These interim consolidated financial statements should be read in conjunction with the notes to our annual consolidated financial statements for the year ended October 31, 2012 as set out on pages 124 to 181 of our 2012 Annual Report.

During the quarter ended April 30, 2013, there were no changes in our IFRS accounting policies.

These interim consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2013.

Note 2: Securities

Unrealized Gains and Losses

The following table summarizes the unrealized gains and losses on available-for-sale securities:

(Canadian $ in millions)				**April 30, 2013**				October 31, 2012
	Amortized cost	**Gross unrealized gains (2)**	**Gross unrealized losses (2)**	**Fair Value**	Amortized cost	Gross unrealized gains (2)	Gross unrealized losses (2)	Fair Value
Issued or guaranteed by:								
Canadian federal government	**12,044**	**156**	**18**	**12,182**	17,050	265	38	17,277
Canadian provincial and municipal governments	**2,341**	**48**	**-**	**2,389**	2,642	39	1	2,680
U.S. federal government	**3,600**	**7**	**-**	**3,607**	10,010	89	-	10,099
U.S. states, municipalities and agencies	**4,900**	**57**	**5**	**4,952**	4,390	83	11	4,462
Other governments	**6,069**	**11**	**6**	**6,074**	6,591	10	5	6,596
Mortgage-backed securities and collateralized mortgage obligations – Canada (1)	**1,062**	**-**	**6**	**1,056**	432	3	-	435
Mortgage-backed securities and collateralized mortgage obligations – U.S.	**5,698**	**54**	**5**	**5,747**	5,705	78	10	5,773
Corporate debt	**8,611**	**164**	**6**	**8,769**	7,724	169	18	7,875
Corporate equity	**1,084**	**63**	**3**	**1,144**	1,129	59	3	1,185
Total	**45,409**	**560**	**49**	**45,920**	55,673	795	86	56,382

(1) These amounts are supported by insured mortgages.

(2) Unrealized gains and losses may be offset by related losses (gains) on liabilities or hedge contracts.

Note 3: Loans and Allowance for Credit Losses

Allowance for Credit Losses

The allowance for credit losses recorded in our Consolidated Balance Sheet is maintained at a level that we consider adequate to absorb credit-related losses on our loans, customers' liability under acceptances and other credit instruments. The portion related to other credit instruments is recorded in other liabilities in our Consolidated Balance Sheet. As at April 30, 2013, there was a $248 million ($196 million as at April 30, 2012) allowance for credit losses related to other credit instruments included in other liabilities.

A continuity of our allowance for credit losses is as follows:

(Canadian $ in millions)

	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the three months ended	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012
Specific Allowance at beginning of period	**82**	72	**64**	63	**321**	364	**-**	-	**467**	499
Specific provision for credit losses	**29**	34	**160**	184	**(14)**	(23)	**-**	-	**175**	195
Recoveries	**6**	17	**37**	41	**140**	139	**-**	-	**183**	197
Write-offs	**(30)**	(46)	**(188)**	(219)	**(90)**	(133)	**-**	-	**(308)**	(398)
Foreign exchange and other	**(6)**	(17)	**(5)**	(10)	**30**	72	**-**	-	**19**	45
Specific Allowance at end of period	**81**	60	**68**	59	**387**	419	**-**	-	**536**	538
Collective Allowance at beginning of period	**52**	36	**618**	624	**763**	794	**25**	23	**1,458**	1,477
Collective provision for credit losses	**(2)**	6	**(5)**	9	**(21)**	(18)	**(2)**	3	**(30)**	-
Foreign exchange and other	**-**	-	**-**	-	**9**	(12)	**-**	-	**9**	(12)
Collective Allowance at end of period	**50**	42	**613**	633	**751**	764	**23**	26	**1,437**	1,465
Total Allowance	**131**	102	**681**	692	**1,138**	1,183	**23**	26	**1,973**	2,003
Comprised of: Loans	**116**	100	**681**	692	**905**	989	**23**	26	**1,725**	1,807
Other credit instruments	**15**	2	**-**	-	**233**	194	**-**	-	**248**	196

(Canadian $ in millions)

	Residential mortgages		Credit card, consumer instalment and other personal loans		Business and government loans		Customers' liability under acceptances		Total	
For the six months ended	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012
Specific Allowance at beginning of period	**76**	74	**62**	59	**338**	426	**-**	-	**476**	559
Specific provision for credit losses	**64**	42	**321**	344	**(32)**	(69)	**-**	-	**353**	317
Recoveries	**8**	50	**72**	79	**261**	291	**-**	-	**341**	420
Write-offs	**(55)**	(90)	**(384)**	(411)	**(195)**	(274)	**-**	-	**(634)**	(775)
Foreign exchange and other	**(12)**	(16)	**(3)**	(12)	**15**	45	**-**	-	**-**	17
Specific Allowance at end of period	**81**	60	**68**	59	**387**	419	**-**	-	**536**	538
Collective Allowance at beginning of period	**47**	36	**624**	565	**759**	817	**30**	34	**1,460**	1,452
Collective provision for credit losses	**3**	6	**(11)**	68	**(15)**	(47)	**(7)**	(8)	**(30)**	19
Foreign exchange and other	**-**	-	**-**	-	**7**	(6)	**-**	-	**7**	(6)
Collective Allowance at end of period	**50**	42	**613**	633	**751**	764	**23**	26	**1,437**	1,465
Total Allowance	**131**	102	**681**	692	**1,138**	1,183	**23**	26	**1,973**	2,003
Comprised of: Loans	**116**	100	**681**	692	**905**	989	**23**	26	**1,725**	1,807
Other credit instruments	**15**	2	**-**	-	**233**	194	**-**	-	**248**	196

Interest income on impaired loans of $35 million and $69 million was recognized respectively, for the three months and six months ended April 30, 2013 ($36 million and $73 million, respectively, for the three months and six months ended April 30, 2012).

FDIC Covered Loans

Certain loans acquired as part of our acquisition of AMCORE Bank are subject to a loss share agreement with the Federal Deposit Insurance Corporation ("FDIC"). Under this agreement, the FDIC reimburses us for 80% of the net losses we incur on the covered loans.

For the three and six months ended April 30, 2013, we recorded net provisions for credit losses of $4.9 million and net recoveries of $8.9 million, respectively, related to AMCORE loans (net provisions for credit losses of $1.5 million and $1.1 million, respectively, for the three and six months ended April 30, 2012). These amounts are net of the amounts expected to be reimbursed by the FDIC on the covered loans.

Purchased Performing Loans

As at April 30, 2013, the remaining amount of purchased performing loans on the balance sheet was $17.8 billion ($21.1 billion as at October 31, 2012). As at April 30, 2013, the remaining credit mark on performing term loans, revolving loans and other performing loans was $578 million, $218 million and $15 million, respectively ($849 million, $301 million, and $23 million, respectively as at October 31, 2012). Of the total credit mark for performing loans of $811 million, $437 million will be amortized over the remaining life of the portfolio. The portion that will not be amortized is $374 million, and this amount will be recognized in either net interest income or collective provision for credit losses as loans are repaid or changes in the credit quality of the portfolio occur.

Purchased Credit Impaired Loans ("PCI Loans")

As at April 30, 2013, the remaining amount of purchased credit impaired loans on the balance sheet was $1.0 billion ($1.2 billion as at October 31, 2012). As at April 30, 2013, the remaining credit mark related to purchased credit impaired loans was $284 million ($445 million as at October 31, 2012).

Unfunded Commitments and Letters of Credit Acquired

As part of our purchase of Marshall and Ilsley Corporation ("M&I") we recorded a liability related to unfunded commitments and letters of credit.

As at April 30, 2013, the remaining credit mark on unfunded commitments and letters of credit acquired was $53 million ($99 million as at October 31, 2012).

Note 4: Risk Management

We have an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organization. The key financial instrument risks are classified as credit and counterparty, market, and liquidity and funding risk.

Credit and Counterparty Risk

We are exposed to credit risk from the possibility that counterparties may default on their financial obligations to us. Credit risk arises predominantly with respect to loans, debt securities, over-the-counter derivatives and other credit instruments. This is the most significant measurable risk that we face.

Market Risk

Market risk is the potential for adverse changes in the value of our assets and liabilities resulting from changes in market variables such as interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, and credit spreads, as well as the risk of credit migration and default. We incur market risk in our trading and underwriting activities and structural banking activities.

Liquidity and Funding Risk

Liquidity and funding risk is the potential for loss in the event that we are unable to meet our financial commitments in a timely manner at reasonable prices as they fall due. It is our policy to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments, including liabilities to depositors and suppliers, and lending, investment and pledging commitments, even in times of stress. Managing liquidity and funding risk is essential to maintaining both depositor confidence and stability in earnings.

Key measures as at April 30, 2013 are outlined in the Risk Management section on pages 11 to 15 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 5: Guarantees

In the normal course of business we enter into a variety of guarantees. The most significant guarantees are as follows:

Standby Letters of Credit and Guarantees

Standby letters of credit and guarantees represent our obligation to make payments to third parties on behalf of another party if that party is unable to make the required payments or meet other contractual requirements. The maximum amount payable under standby letters of credit and guarantees totalled $12,430 million as at April 30, 2013 ($11,851 million as at October 31, 2012). The majority have a term of one year or less. Collateral requirements for standby letters of credit and guarantees are consistent with our collateral requirements for loans. A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

As at April 30, 2013, $34 million ($29 million as at October 31, 2012) was included in other liabilities related to guaranteed parties that were unable to meet their obligation to third parties (See Note 3).

Backstop and Other Liquidity Facilities

Backstop liquidity facilities are provided to asset-backed commercial paper ("ABCP") programs administered by either us or third parties as an alternative source of financing in the event that such programs are unable to access ABCP markets or when predetermined performance measures of the financial assets owned by these programs are not met. The terms of the backstop liquidity facilities do not require us to advance money to these programs in the event of bankruptcy of the borrower. The facilities' terms are generally no longer than one year, but can be several years.

The maximum amount payable under these backstop and other liquidity facilities totalled $4,339 million as at April 30, 2013 ($4,467 million as at October 31, 2012). As at April 30, 2013, $115 million was outstanding from facilities drawn in accordance with the terms of the backstop liquidity facilities ($107 million as at October 31, 2012).

Credit Enhancement Facilities

Where warranted, we provide partial credit enhancement facilities to transactions within ABCP programs administered by either us or third parties. Credit enhancement facilities are included in backstop liquidity facilities.

Senior Funding Facilities

In addition to our investment in the notes subject to the Montreal Accord, we have provided a senior loan facility of $238 million as at April 30, 2013 ($295 million as at October 31, 2012). No amounts were drawn as at April 30, 2013 or October 31, 2012.

Derivatives

Certain of our derivative instruments meet the accounting definition of a guarantee when they require the issuer to make payments to reimburse the holder for a loss incurred because a debtor fails to make payment when due under the terms of a debt instrument. In order to reduce our exposure to these derivatives, we enter into contracts that hedge the related risks.

Written credit default swaps require us to compensate a counterparty following the occurrence of a credit event in relation to a specified reference obligation, such as a bond or a loan. The maximum amount payable under credit default swaps is equal to their notional amount of $21,221 million as at April 30, 2013 ($24,126 million as at October 31, 2012). The terms of these contracts range from less than one year to 10 years. The fair value of the related derivative liabilities included in derivative instruments in our Consolidated Balance Sheet was $107 million as at April 30, 2013 ($156 million as at October 31, 2012).

Exchange and Clearinghouse Guarantees

We are a member of several securities and futures exchanges and clearinghouses. Membership in certain of these organizations may require us to pay a pro rata share of the losses incurred by the organization in the event of default of another member. Such obligations vary with different organizations. These obligations may be limited to members who dealt with the defaulting member, an amount related to our contribution to a member's guarantee fund, or an amount specified in the membership agreement. It is difficult to estimate our maximum exposure under these membership agreements, since this would require an assessment of future claims that may be made against us that have not yet occurred. Based on historical experience, we expect the risk of loss to be remote.

Indemnification Agreements

In the normal course of operations, we enter into various agreements that provide general indemnifications. These indemnifications typically occur in connection with sales of assets, securities offerings, service contracts, membership agreements, clearing arrangements, derivatives contracts and leasing transactions. As part of the acquisition of M&I, we acquired a securities lending business that lends securities owned by clients to borrowers who have been evaluated for credit risk using the same credit risk process that is applied to loans and other credit assets. In connection with these activities, we provide an indemnification to lenders against losses resulting from the failure of the borrower to return loaned securities when due. All borrowings are fully collateralized with cash or marketable securities. As securities are loaned, we require borrowers to maintain collateral which is equal to or in excess of 100% of the fair value of the securities borrowed. The collateral is revalued on a daily basis. The amount of securities loaned subject to indemnification was $4,261 million as at April 30, 2013 ($4,343 million as at October 31, 2012). No amount was included in our Consolidated Balance Sheet as at April 30, 2013 and October 31, 2012 related to these indemnifications.

Note 6: Securitization

Periodically, we securitize loans to obtain alternate sources of funding. Securitization involves selling loans to trusts ("securitization vehicles"), which buy the loans and then issue either interest bearing or discounted investor certificates.

The following table shows the carrying amounts related to securitization activities with third parties that are recorded on our Consolidated Balance Sheet, together with the associated liabilities, for each category of asset on the balance sheet:

(Canadian $ in millions)	**April 30, 2013** (1) (2)		October 31, 2012	
	Carrying amount of assets	**Associated liabilities**	Carrying amount of assets	Associated liabilities
Available-for-sale securities	**122**		428	
Residential mortgages	**9,563**		9,020	
	9,685		9,448	
Other Related Assets	**11,458**		11,105	
Total	**21,143**	**20,788**	20,553	20,312

(1) The fair value of the securitized assets is $21,372 million and the fair value of the associated liabilities is $21,264 million, for a net position of $108 million. Securitized assets are those which we have transferred to third parties, including other related assets.

(2) During the quarter ended April 30, 2013, we sold $1,893 million of loans to third-party securitization programs ($1,774 million during the quarter ended April 30, 2012).

Certain comparative figures have been reclassified to conform with current period's presentation.

The other related assets represent payments received on account of loans pledged under securitization that have not been applied against the associated liabilities. The payments received are held on behalf of the investors in the securitization vehicles until principal payments are required to be made on the associated liabilities. In order to compare all assets supporting the associated liabilities, this amount is added to the carrying value of the securitized assets in the above table.

Note 7: Special Purpose Entities

Total assets in our unconsolidated special purpose entities ("SPEs") and our exposure to losses are summarized in the following table:

(Canadian $ in millions)	**April 30, 2013**						October 31, 2012					
	Exposure to loss					**Total assets**	Exposure to loss					Total assets
	Undrawn facilities (1)	**Drawn facilities and loans provided**	**Securities held**	**Derivative assets**	**Total**		Undrawn facilities (1)	Drawn facilities and loans provided	Securities held	Derivative assets	Total	
Unconsolidated SPEs												
Canadian customer securitization vehicles (2)	**3,578**	**-**	**117**	**-**	**3,695**	**2,284**	3,691	-	118	-	3,809	2,697
Structured finance vehicles	**na**	**na**	**12,565**	**-**	**12,565**	**32,207**	na	na	10,324	-	10,324	26,500
Total	**3,578**	**-**	**12,682**	**-**	**16,260**	**34,491**	3,691	-	10,442	-	14,133	29,197

(1) These facilities are backstop liquidity facilities provided to our Canadian customer securitization vehicles. None of the backstop liquidity facilities provided to our Canadian customer securitization vehicles related to credit support as at April 30, 2013 and October 31, 2012.

(2) Securities held that are issued by our Canadian customer securitization vehicles are comprised of asset-backed commercial paper and are classified as trading securities and available-for-sale securities. Assets held by all these vehicles relate to assets in Canada.

na - not applicable

Total assets in our consolidated SPEs and our exposure to losses are summarized in the following table:

(Canadian $ in millions)	April 30, 2013											October 31, 2012
	Exposure to loss					Total assets	Exposure to loss					Total assets
	Undrawn facilities	Drawn facilities and loans provided	Securities held	Derivative assets	Total (1)		Undrawn facilities	Drawn facilities and loans provided	Securities held	Derivative assets	Total (1)	
Consolidated SPEs												
Canadian customer securitization vehicles	**3**	**-**	**581**	**-**	**584**	**581**	7	-	574	-	581	574
U.S customer securitization vehicle	**3,709**	**32**	**-**	**-**	**3,741**	**2,992**	4,144	58	-	2	4,204	3,378
Bank securitization vehicles (2)	**-**	**-**	**1,527**	**-**	**1,527**	**5,762**	-	-	192	-	192	5,323
Credit protection vehicle (3)	**522**	**-**	**1,398**	**36**	**1,956**	**2,226**	522	-	1,385	104	2,011	2,226
Structured investment vehicles	**20**	**495**	**-**	**2**	**517**	**688**	40	1,440	-	1	1,481	1,597
Capital and funding trusts	**3,249**	**9,356**	**842**	**73**	**13,520**	**13,142**	2,973	11,132	842	91	15,038	14,972
Total	**7,503**	**9,883**	**4,348**	**111**	**21,845**	**25,391**	7,686	12,630	2,993	198	23,507	28,070

(1) We consolidate the SPEs in the table and as a result, all intercompany balances and transactions between us and the consolidated SPEs are eliminated upon consolidation.

(2) Included in other liabilities is $4,289 million of term asset-backed securities funding our bank securitization vehicles ($5,186 million as at October 31, 2012).

(3) Total assets include cash and interest bearing deposits of $2,080 million and securities of $146 million ($2,069 million and $157 million, respectively as at October 31, 2012).

Note 8: Acquisitions

The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration. Acquisition-related costs are recognized as an expense in the period in which they are incurred. The acquired identifiable assets, liabilities and contingent consideration are measured at their fair values at the date of acquisition. Goodwill is measured as the excess of the aggregate of the consideration transferred over the net of the amounts of identifiable assets acquired and liabilities assumed. The results of operations of acquired businesses are included in our consolidated financial statements beginning on the date of acquisition.

Aver Media LP ("Aver")

On April 1, 2013, we completed the acquisition of the assets of Aver Media LP, a private Canadian-based film and TV media lending company for cash consideration of $260 million, subject to a post-closing adjustment based on net assets, plus contingent consideration of approximately $10 million to be paid over the next eighteen months. Acquisition costs of $1 million were expensed in non-interest expense, other in our Consolidated Statement of Income. This asset acquisition is predominantly of the Aver loan portfolio which provides us with additional opportunities to grow our commercial loan business by expanding our presence in the film and television production industry. Goodwill related to this acquisition is deductible for tax purposes. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on an accelerated basis over 10 years. Aver is part of our P&C Canada reporting segment. The acquisition was accounted for as a business combination.

Asian Wealth Management Business ("AWMB")

On January 25, 2013, the bank completed the acquisition of an Asian-based wealth management business for cash consideration of $33 million. During the quarter ended April 30, 2013, the purchase price increased from $33 million to $34 million due to a post-closing adjustment based upon working capital. Acquisition costs of $4 million were expensed in non-interest expense, other in our Consolidated Statement of Income. The business provides private banking services to high net worth individuals in the Asia-Pacific region and provides an important opportunity for us to expand our offering to high net worth individuals in this region. Goodwill related to this acquisition is deductible for tax purposes. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on a straight-line basis over 15 years, and software intangible assets which are being amortized over their remaining useful lives. Asian Wealth Management Business is part of our Private Client Group reporting segment.

CTC Consulting, LLC ("CTC")

On June 11, 2012, we completed the acquisition of United States-based CTC Consulting, LLC for cash consideration of $20 million. During the year ended October 31, 2012, we increased the purchase price by $1 million to $21 million based on a revaluation of equity. Acquisition costs of less than $1 million were expensed in non-interest expense, other in our Consolidated Statement of Income. The acquisition of CTC will help us to expand and enhance our manager research and advisory capabilities and investment offering to ultra-high-net-worth clients and select multi-family offices and wealth advisors. This will allow us to further strengthen and expand our presence in the United States. As part of this acquisition, we acquired a customer relationship intangible asset which is being amortized on an accelerated basis over 15 years. Goodwill related to this acquisition is not deductible for tax purposes. CTC is part of our Private Client Group reporting segment.

The estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition are as follows:

(Canadian $ in millions)	**2013**		2012
	Aver	**AWMB**	CTC
Cash resources	**-**	**434**	2
Loans	**232**	**311**	-
Premises and equipment	**-**	**1**	1
Goodwill	**20**	**18**	7
Intangible assets	**16**	**15**	11
Other assets	**3**	**1**	2
Total assets	**271**	**780**	23
Deposits	**-**	**746**	-
Other liabilities	**1**	**-**	2
Total liabilities	**1**	**746**	2
Purchase price	**270**	**34**	21

The allocation of the purchase price for Aver, AWMB and CTC is subject to refinement as we complete the valuation of the assets acquired and liabilities assumed.

COFCO Trust Co. ("COFCO")

On August 1, 2012, we acquired a 19.99% interest in COFCO Trust Co., a subsidiary of COFCO Group, one of China's largest state-owned enterprises with operations across a variety of sectors, including agriculture and financial services. We recorded our investment in COFCO at cost and adjust our investment for our proportionate share of any net income or loss, other comprehensive income or loss and dividends. The investment provides an important opportunity for us to expand our offering to high net worth and institutional clients in China. COFCO Trust Co. is part of our Private Client Group reporting segment.

Note 9: Goodwill

When we complete an acquisition, we allocate the purchase price paid to the assets acquired, including identifiable intangible assets and the liabilities assumed. Any excess of the consideration transferred over the fair value of those net assets is considered to be goodwill. Goodwill is not amortized.

There were no write-downs of goodwill due to impairment during the three and six months ended April 30, 2013 and the year ended October 31, 2012.

A continuity of our goodwill by cash generating unit for the quarter ended April 30, 2013 and the year ended October 31, 2012 is as follows:

(Canadian $ in millions)			Personal and Commercial Banking					Private Client Group	BMO Capital Markets	Total
	P&C Canada	P&C U.S.	Total	Client Investing	Global Asset Management *	Private Banking	Insurance			
Goodwill as at October 31, 2011	122	2,545	2,667	68	377	344	2	791	191	3,649
Acquisitions during the year	-	-	-	-	-	7	-	7	-	7
Other (1)	-	48	48	-	4	6	-	10	3	61
Goodwill as at October 31, 2012	122	2,593	2,715	68	381	357	2	808	194	3,717
Acquisitions during the period	20	-	20	-	-	18	-	18	-	38
Other (1)	-	19	19	-	-	3	-	3	1	23
Goodwill as at April 30, 2013	**142** (2)	**2,612** (3)	**2,754**	**68** (4)	**381** (5)	**378** (6)	**2** (7)	**829**	**195** (8)	**3,778**

(1) Other changes in goodwill included the effects of translating goodwill denominated in foreign currencies into Canadian dollars and purchase accounting adjustments related to prior-year purchases.

(2) Relates primarily to Moneris Solutions Corporation, bcpbank Canada, Diners Club, and Aver Media LP.

(3) Relates primarily to New Lenox State Bank, First National Bank of Joliet, Household Bank branches, Mercantile Bancorp, Inc., Villa Park Trust Savings Bank, First National Bank & Trust, Ozaukee Bank, Merchants and Manufacturers Bancorporation, Inc., AMCORE and M&I.

(4) Relates to BMO Nesbitt Burns Inc.

(5) Relates to Guardian Group of Funds Ltd., Pyrford International plc, Integra GRS, LGM and M&I.

(6) Relates primarily to Harris myCFO, Inc., Stoker Ostler Wealth Advisors, Inc. M&I, CTC Consulting LLC and AWMB.

(7) Relates to AIG.

(8) Relates to Gerard Klauer Mattison Co., Inc., BMO Nesbitt Burns Inc, Griffin, Kubik, Stephens & Thompson, Inc., Paloma Securities LLC and M&I.

* formerly, Investment Products

Note 10: Deposits

(Canadian $ in millions)	Payable on demand: Interest bearing		Payable on demand: Non-interest bearing		Payable after notice		Payable on a fixed date (3)		Total	
	April 30, 2013	October 31, 2012	**April 30, 2013**	October 31, 2012	**April 30, 2013**	October 31, 2012	**April 30, 2013**	October 31, 2012	**April 30, 2013**	October 31, 2012
Deposits by:										
Banks	**1,866**	2,116	**1,158**	611	**2,895**	2,653	**16,696**	12,722	**22,615**	18,102
Businesses and governments	**12,410**	12,205	**28,527**	21,431	**50,105**	49,208	**122,092**	103,726	**213,134**	186,570
Individuals	**2,609**	2,545	**11,214**	10,388	**67,677**	63,770	**41,087**	42,327	**122,587**	119,030
Total (1) (2)	**16,885**	16,866	**40,899**	32,430	**120,677**	115,631	**179,875**	158,775	**358,336**	323,702
Booked In										
Canada	**15,374**	16,011	**24,684**	24,280	**70,879**	65,810	**97,208**	97,243	**208,145**	203,344
United States	**854**	596	**16,128**	8,007	**49,053**	48,968	**67,814**	49,614	**133,849**	107,185
Other Countries	**657**	259	**87**	143	**745**	853	**14,853**	11,918	**16,342**	13,173
Total	**16,885**	16,866	**40,899**	32,430	**120,677**	115,631	**179,875**	158,775	**358,336**	323,702

(1) Includes structured notes designated at fair value through profit or loss.

(2) As at April 30, 2013 and October 31, 2012, total deposits payable on a fixed date included $21,649 million and $17,613 million, respectively, of federal funds purchased and commercial paper issued. Included in deposits as at April 30, 2013 and October 31, 2012 are $181,687 million and $146,003 million, respectively, of deposits denominated in U.S. dollars, and $2,941 million and $4,777 million, respectively, of deposits denominated in other foreign currencies.

(3) Includes $155,920 million of deposits, each greater than one hundred thousand dollars, of which $78,889 million were booked in Canada, $62,177 million were booked in the United States and $14,854 million were booked in other countries ($134,146 million, $79,223 million, $43,005 million and $11,918 million, respectively, in October 31, 2012). Of the $78,889 million of deposits booked in Canada $30,902 million mature in less than three months, $3,356 mature in three to six months, $6,807 million mature in six to 12 months and $37,824 million mature after 12 months ($79,223 million, $35,023 million, $5,250 million, $7,979 million and $30,971 million, respectively, in October 31, 2012). We have liquid assets of $175,681 million to support these and other deposit liabilities ($154,606 million in October 31, 2012). A portion of these liquid assets have been pledged.

Certain comparative figures have been reclassified to conform with current period's presentation.

During the quarter ended January 31, 2013, the €1,000,000 4.25% Covered Bond-Series 1 deposit matured.

During the quarter ended January 31, 2012, we issued US$2.0 billion Covered Bond-Series 5. This deposit pays interest of 1.95% and matures on January 30, 2017.

Deposits payable on demand are comprised primarily of our customers' chequing accounts, some of which we pay interest on. Our customers need not notify us prior to withdrawing money from their chequing accounts.

Deposits payable after notice are comprised primarily of our customers' savings accounts, on which we pay interest.

Deposits payable on a fixed date are comprised of:

- Various investment instruments purchased by our customers to earn interest over a fixed period, such as term deposits and guaranteed investment certificates. The terms of these deposits can vary from one day to 10 years.
- Federal funds purchased, which are overnight borrowings of other banks' excess reserve funds at a United States Federal Reserve Bank. As at April 30, 2013, we had borrowed $274 million of federal funds ($1,674 million as at October 31, 2012).
- Commercial paper, which totalled $4,580 million as at April 30, 2013 ($4,513 million as at October 31, 2012).
- Covered bonds, which totalled $7,759 million as at April 30, 2013 ($9,053 million as at October 31, 2012).

Note 11: Capital Trust Securities

During the quarters ended April 30, 2013 and 2012, we did not issue or redeem any Capital Trust Securities.

During the quarter ended January 31, 2012, we redeemed all of our BMO Capital Trust Securities – Series C ("BMO BOaTs – Series C") at a redemption amount equal to $1,000 for an aggregate redemption of $400 million, plus unpaid distributions which had been declared.

Note 12: Share Capital

During the quarter ended April 30, 2013, we redeemed all of our Non-cumulative Class B Preferred Shares Series 5, at a redemption price of $25.00 per share plus declared and unpaid dividends up to but excluding the date fixed for redemption.

During the quarter ended April 30, 2013, we redeemed all of the outstanding 7 3/8 % Noncumulative Exchangeable Preferred Stock, Series A, issued by one of our subsidiaries at a redemption price equal to US$25 per share for an aggregate redemption of US$250 million, plus unpaid dividends up to the date of redemption. Prior to the redemption, these preferred shares were reported in our Consolidated Balance Sheet as non-controlling interest in subsidiaries. We recognized a gain of $107 million in contributed surplus related to foreign exchange on redemption of preferred shares.

On February 1, 2013, we commenced a normal course issuer bid effective for one year. Under this bid, we may repurchase up to 15,000,000 common shares.

During the quarter ended April 30, 2013, we repurchased 4,000,000 common shares at an average cost of $63.58 per share, totalling $254 million, approximately 0.62% of our common shares then outstanding.

During the quarter ended April 30, 2012, we redeemed all of our U.S dollar denominated Non-cumulative Perpetual Class B Preferred Shares Series 10, at a price of US$25.00 per share plus all declared and unpaid dividends up to but excluding the date fixed for redemption. We recognized a gain of $96 million in contributed surplus related to foreign exchange upon redemption.

Share Capital Outstanding (1)

(Canadian $ in millions, except as noted)	**April 30, 2013**		October 31, 2012		
	Number of shares	**Amount**	Number of shares	Amount	Convertible into...
Preferred Shares – Classified as Equity					
Class B – Series 5	**-**	**-**	8,000,000	200	-
Class B – Series 13	**14,000,000**	**350**	14,000,000	350	-
Class B – Series 14	**10,000,000**	**250**	10,000,000	250	-
Class B – Series 15	**10,000,000**	**250**	10,000,000	250	-
Class B – Series 16	**12,000,000**	**300**	12,000,000	300	preferred shares – class B – series 17 (2)
Class B – Series 18	**6,000,000**	**150**	6,000,000	150	preferred shares – class B – series 19 (2)
Class B – Series 21	**11,000,000**	**275**	11,000,000	275	preferred shares – class B – series 22 (2)
Class B – Series 23	**16,000,000**	**400**	16,000,000	400	preferred shares – class B – series 24 (2)
Class B – Series 25	**11,600,000**	**290**	11,600,000	290	preferred shares – class B – series 26 (2)
		2,265		2,465	
Common Shares (3)	**648,987,742**	**12,014**	650,729,644	11,957	
Share Capital		**14,279**		14,422	

(1) For additional information refer to Notes 20 and 22 to our consolidated financial statements for the year ended October 31, 2012 on pages 156 to 160 of our 2012 Annual Report.

(2) If converted, the holders have the option to convert back to the original preferred shares on subsequent redemption dates.

(3) The stock options issued under the stock option plan are convertible into16,660,072 common shares as at April 30, 2013 (15,801,966 common shares as at October 31, 2012).

Note 13: Capital Management

Our objective is to maintain a strong capital position in a cost-effective structure that: considers our target regulatory capital ratios and internal assessment of required economic capital; is consistent with our targeted credit ratings; underpins our operating groups' business strategies; and builds depositor confidence and long-term shareholder value.

We have met OSFI's stated "all-in" target capital ratios requirement as at April 30, 2013. Our capital position as at April 30, 2013 is detailed in the Capital Management section on pages 18 to 20 of Management's Discussion and Analysis of the Second Quarter Report to Shareholders.

Note 14: Employee Compensation

Stock Options

During the six months ended April 30, 2013, we granted a total of 2,003,446 stock options (2,526,345 stock options during the six months ended April 30, 2012). The weighted-average fair value of options granted during the six months ended April 30, 2013 was $5.29 per option ($5.54 per option for the six months ended April 30, 2012).

To determine the fair value of the stock option tranches (i.e. the 25% portion that vests each year) on the grant date, the following ranges of values were used for each option pricing assumption:

For stock options granted during the six months ended	**April 30, 2013**	April 30, 2012
Expected dividend yield	**6.0%-6.2%**	6.8%-7.2%
Expected share price volatility	**18.1%-18.6%**	21.3%-22.3%
Risk-free rate of return	**1.7%-1.9%**	1.5%-1.8%
Expected period until exercise (in years)	**5.5-7.0**	5.5-7.0

Changes to the input assumptions can result in different fair value estimates.

Pension and Other Employee Future Benefit Expenses

Pension and other employee future benefit expenses are determined as follows:

(Canadian $ in millions)

	Pension benefit plans		Other employee future benefit plans	
For the three months ended	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012
Benefits earned by employees	**56**	46	**6**	5
Interest cost on accrued benefit liability	**65**	65	**13**	13
Actuarial loss recognized in expense	**4**	1	**-**	-
Plan amendment costs recognized in expense	**-**	-	**(1)**	(1)
Expected return on plan assets	**(83)**	(78)	**(1)**	(1)
Benefits expense	**42**	34	**17**	16
Canada and Quebec pension plan expense	**25**	24	**-**	-
Defined contribution expense	**3**	3	**-**	-
Total pension and other employee future benefit expenses	**70**	61	**17**	16

(Canadian $ in millions)

	Pension benefit plans		Other employee future benefit plans	
For the six months ended	**April 30, 2013**	April 30, 2012	**April 30, 2013**	April 30, 2012
Benefits earned by employees	**112**	92	**13**	9
Interest cost on accrued benefit liability	**129**	132	**26**	26
Actuarial loss recognized in expense	**8**	1	**-**	-
Plan amendment costs recognized in expense	**-**	-	**(2)**	(2)
Expected return on plan assets	**(164)**	(157)	**(3)**	(2)
Benefits expense	**85**	68	**34**	31
Canada and Quebec pension plan expense	**41**	40	**-**	-
Defined contribution expense	**5**	5	**-**	-
Total pension and other employee future benefit expenses	**131**	113	**34**	31

Note 15: Earnings Per Share

The following tables present the bank's basic and diluted earnings per share:

Basic earnings per share

(Canadian $ in millions, except as noted)	For the three months ended		For the six months ended	
	April 30, 2013	April 30, 2012	**April 30, 2013**	April 30, 2012
Net income attributable to Bank shareholders	**957**	1,010	**1,987**	2,100
Dividends on preferred shares	**(28)**	(34)	**(61)**	(71)
Net income available to common shareholders	**929**	976	**1,926**	2,029
Average number of common shares outstanding (in thousands)	**651,296**	642,491	**651,371**	641,248
Basic earnings per share (Canadian $)	**1.43**	1.52	**2.96**	3.16

Diluted earnings per share

(Canadian $ in millions, except as noted)	For the three months ended		For the six months ended	
	April 30, 2013	April 30, 2012	**April 30, 2013**	April 30, 2012
Net income available to common shareholders adjusted for dilution effect	**929**	976	**1,926**	2,037
Average number of common shares outstanding (in thousands)	**651,296**	642,491	**651,371**	641,248
Convertible shares	**-**	1,906	**-**	6,045
Stock options potentially exercisable (1)	**11,376**	8,420	**9,100**	6,111
Common shares potentially repurchased	**(9,899)**	(7,137)	**(7,769)**	(4,822)
Average diluted number of common shares outstanding (in thousands)	**652,773**	645,680	**652,702**	648,582
Diluted earnings per share (Canadian $)	**1.42**	1.51	**2.95**	3.14

(1) In computing diluted earnings per share we excluded average stock options outstanding of 2,747,755 and 4,942,069 with a weighted-average exercise price of $201.73 and $140.27, respectively, for the three months and six months ended April 30, 2013 (6,317,173 and 8,535,967 with a weighted-average exercise price of $133.33 and $115.33, respectively, for the three months and six months ended April 30, 2012) as the average share price for the period did not exceed the exercise price.

Basic Earnings per Share

Our basic earnings per share is calculated by dividing our net income, after deducting total preferred shares dividends, by the daily average number of fully paid common shares outstanding throughout the year.

Diluted Earnings per Share

Diluted earnings per share represents what our earnings per share would have been if instruments convertible into common shares that had the impact of reducing our earnings per share had been converted either at the beginning of the year for instruments that were outstanding at the beginning of the year or from the date of issue for instruments issued during the year.

Convertible Shares

In determining diluted earnings per share, we increase net income available to common shareholders by dividends paid on convertible preferred shares and interest on capital trust securities as these distributions would not have been paid if the instruments had been converted at the beginning of the year.

Similarly, we increase the average number of common shares outstanding by the number of shares that would have been issued had the conversion taken place at the beginning of the year, or on the date of issue if later.

Employee Stock Options

In determining diluted earnings per share, we increase the average number of common shares outstanding by the number of shares that would have been issued if all stock options with a strike price below the average share price for the year had been exercised. When performance targets have not been met, affected options are excluded from the calculation. We also decrease the average number of common shares outstanding by the number of our common shares that we could have repurchased if we had used the proceeds from the exercise of stock options to repurchase them on the open market at the average share price for the period. We do not adjust for stock options with a strike price above the average share price for the year because including them would increase our earnings per share, not dilute it.

Note 16: Operating and Geographic Segmentation

Operating Groups

We conduct our business through three operating groups, each of which has a distinct mandate. We determine our operating groups based on our management structure and therefore these groups, and results attributed to them, may not be comparable with those of other financial services companies. We evaluate the performance of our groups using measures such as net income, revenue growth, return on equity, net economic profit and non-interest expense-to-revenue (productivity) ratio, as well as cash operating leverage.

Personal and Commercial Banking

Personal and Commercial Banking ("P&C") is comprised of two operating segments: Personal and Commercial Banking Canada and Personal and Commercial Banking U.S.

Personal and Commercial Banking Canada

Personal and Commercial Banking Canada ("P&C Canada") offers a broad range of products and services in two customer segments – personal banking and commercial banking. These include financial solutions for everyday banking, financing, investing, credit cards and creditor insurance, as well as a variety of commercial products and financial advisory services. We deliver services through our network of BMO Bank of Montreal branches, telephone, online and mobile banking platforms, and automated banking machines ("ABMs"), supported by a highly skilled sales force that includes mortgage specialists, financial planners, small business bankers and commercial specialists.

Personal and Commercial Banking U.S.

Personal and Commercial Banking U.S. ("P&C U.S.") offers a broad range of products and services to individuals and small and mid-sized business customers. We deliver services through our network of BMO Harris Bank branches, contact centre, online and mobile banking platforms, and ABMs across eight states. We deliver financial expertise to our commercial banking customers through a broad range of lending and treasury management services and products, offering in-depth, specific industry knowledge and strategic capital markets solutions.

Private Client Group

Private Client Group ("PCG"), our group of wealth management businesses, serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions, including insurance products. PCG operates in Canada and the United States, as well as in Asia and Europe.

BMO Capital Markets

BMO Capital Markets ("BMO CM") is a full-service North American financial services provider offering equity and debt underwriting, corporate lending and project financing, mergers and acquisitions advisory services, securitization, treasury management, market risk management, debt and equity research, and institutional sales and trading. BMO CM operates in North America and in various locations around the world.

Corporate Services

Corporate Services consist of Corporate Units and Technology and Operations.

Corporate Units provide enterprise-wide expertise and governance support in a variety of areas, including strategic planning, risk management, finance, legal and compliance, marketing, communications and human resources.

Technology and Operations (T&O) manages, maintains and provides governance over information technology, operations services, real estate and sourcing for BMO Financial Group.

The costs of Corporate Units and T&O services are largely transferred to the three client operating groups (P&C, PCG and BMO Capital Markets), and only relatively minor amounts are retained in Corporate Services results. As such, Corporate Services operating results reflect the impact of certain asset-liability management activities, the elimination of taxable equivalent adjustments, the results from certain impaired asset portfolios, recovery of provisions for credit losses on the M&I purchased credit impaired loan portfolio, credit related items on the M&I purchased performing loan portfolio, run-off structured credit activities, M&I integration costs, M&I acquisition-related costs, adjustments to the collective allowance for credit losses and restructuring costs.

During the quarter ended January 31, 2013, we changed the way we evaluate our operating segments to reflect the provision for credit losses on an actual loss basis. The change in allocation methodology enhances the assessment of performance against our peer group. Previously, provisions for credit losses were allocated to each group based on an expected losses basis for that group, with the difference between expected losses and actual losses reported in Corporate Services. Prior period results have been restated to reflect this change.

Basis of Presentation

The results of these operating segments are based on our internal financial reporting systems. The accounting policies used in these segments are generally consistent with those followed in the preparation of our consolidated financial statements as disclosed in Note 1 and throughout the consolidated financial statements. A notable accounting measurement difference is the taxable equivalent basis adjustment as described below.

Taxable Equivalent Basis

We analyze net interest income on a taxable equivalent basis ("teb") at the operating group level. This basis includes an adjustment which increases GAAP revenues and the GAAP provision for income taxes by an amount that would raise revenues on certain tax-exempt securities to a level that incurs tax at the statutory rate. The operating groups' teb adjustments are eliminated in Corporate Services.

Inter-Group Allocations

Various estimates and allocation methodologies are used in the preparation of the operating groups' financial information. We allocate expenses directly related to earning revenue to the groups that earned the related revenue. Expenses not directly related to earning revenue, such as overhead expenses, are allocated to operating groups using allocation formulas applied on a consistent basis. Operating group net interest income reflects internal funding charges and credits on the groups' assets, liabilities and capital, at market rates, taking into account relevant terms and currency considerations. The offset of the net impact of these charges and credits is reflected in Corporate Services.

Geographic Information

We operate primarily in Canada and the United States but we also have operations in the United Kingdom, Europe, the Caribbean and Asia, which are grouped in Other Countries. We allocate our results by geographic region based on the location of the unit responsible for managing the related assets, liabilities, revenues and expenses, except for the consolidated provision for credit losses, which is allocated based upon the country of ultimate risk.

During the quarter ended January 31, 2013, we refined our methodology for the allocation of revenue in Corporate Services by geographic region. As a consequence, we have reallocated certain revenue of prior periods from Canada to the United States.

Our results and average assets, grouped by operating segment, are as follows:

(Canadian $ in millions)

For the three months ended **April 30, 2013** (1)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (2)	Total
Net interest income	**1,059**	**594**	**135**	**299**	**11**	**2,098**
Non-interest revenue	**473**	**136**	**630**	**551**	**56**	**1,846**
Total Revenue	**1,532**	**730**	**765**	**850**	**67**	**3,944**
Provision for credit losses	**154**	**55**	**1**	**(6)**	**(59)**	**145**
Amortization	**40**	**43**	**22**	**9**	**61**	**175**
Non-interest expense	**754**	**412**	**564**	**494**	**169**	**2,393**
Income before taxes and non-controlling interest in subsidiaries	**584**	**220**	**178**	**353**	**(104)**	**1,231**
Provision for income taxes	**154**	**65**	**37**	**78**	**(78)**	**256**
Reported net income	**430**	**155**	**141**	**275**	**(26)**	**975**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**18**	**18**
Net Income attributable to bank shareholders	**430**	**155**	**141**	**275**	**(44)**	**957**
Average Assets	**174,434**	**63,567**	**22,103**	**250,970**	**44,016**	**555,090**
Goodwill (As At)	**142**	**2,612**	**829**	**195**	**-**	**3,778**

For the three months ended April 30, 2012 (1)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (2)	Total
Net interest income	1,068	604	129	311	8	2,120
Non-interest revenue	461	134	615	481	148	1,839
Total Revenue	1,529	738	744	792	156	3,959
Provision for credit losses	167	60	1	19	(52)	195
Amortization	38	45	16	9	61	169
Non-interest expense	737	424	537	460	172	2,330
Income before taxes and non-controlling interest in subsidiaries	587	209	190	304	(25)	1,265
Provision for income taxes	154	67	43	71	(98)	237
Reported net income	433	142	147	233	73	1,028
Non-controlling interest in subsidiaries	-	-	-	-	18	18
Net Income attributable to bank shareholders	433	142	147	233	55	1,010
Average Assets	159,127	60,886	20,105	248,283	49,790	538,191
Goodwill (As At)	122	2,586	801	193	-	3,702

(Canadian $ in millions)

For the six months ended **April 30, 2013** (1)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (2)	Total
Net interest income	**2,161**	**1,194**	**272**	**597**	**90**	**4,314**
Non-interest revenue	**934**	**288**	**1,272**	**1,157**	**60**	**3,711**
Total Revenue	**3,095**	**1,482**	**1,544**	**1,754**	**150**	**8,025**
Provision for credit losses	**282**	**87**	**3**	**(21)**	**(28)**	**323**
Amortization	**81**	**87**	**41**	**20**	**122**	**351**
Non-interest expense	**1,526**	**817**	**1,114**	**998**	**352**	**4,807**
Income before taxes and non-controlling interest in subsidiaries	**1,206**	**491**	**386**	**757**	**(296)**	**2,544**
Provision for income taxes	**318**	**154**	**82**	**172**	**(205)**	**521**
Reported net income	**888**	**337**	**304**	**585**	**(91)**	**2,023**
Non-controlling interest in subsidiaries	**-**	**-**	**-**	**-**	**36**	**36**
Net Income attributable to bank shareholders	**888**	**337**	**304**	**585**	**(127)**	**1,987**
Average Assets	**172,910**	**62,968**	**21,668**	**251,954**	**45,216**	**554,716**
Goodwill (As At)	**142**	**2,612**	**829**	**195**	**-**	**3,778**

For the six months ended April 30, 2012 (1)	P&C Canada	P&C U.S.	PCG	BMO CM	Corporate Services (2)	Total
Net interest income	2,184	1,242	295	601	116	4,438
Non-interest revenue	908	283	1,146	966	335	3,638
Total Revenue	3,092	1,525	1,441	1,567	451	8,076
Provision for credit losses	322	123	6	10	(125)	336
Amortization	77	93	32	19	123	344
Non-interest expense	1,506	869	1,079	934	321	4,709
Income before taxes and non-controlling interest in subsidiaries	1,187	440	324	604	132	2,687
Provision for income taxes	313	139	73	147	(122)	550
Reported net income	874	301	251	457	254	2,137
Non-controlling interest in subsidiaries	-	-	-	-	37	37
Net Income attributable to bank shareholders	874	301	251	457	217	2,100
Average Assets	158,318	61,679	19,793	248,506	49,894	538,190
Goodwill (As At)	122	2,586	801	193	-	3,702

(1) Operating groups report on a taxable equivalent basis – see Basis of Presentation section.

(2) Corporate Services includes Technology and Operations.

Prior periods have been restated to give effect to the current period's organizational structure and presentation changes.

Our results and average assets, allocated by geographic region, are as follows:

(Canadian $ in millions)

For the three months ended **April 30, 2013**	Canada	United States	Other Countries	Total
Net interest income	**1,260**	**824**	**14**	**2,098**
Non-interest revenue	**1,304**	**443**	**99**	**1,846**
Total Revenue	**2,564**	**1,267**	**113**	**3,944**
Provision for credit losses	**171**	**(26)**	**-**	**145**
Amortization	**105**	**67**	**3**	**175**
Non-interest expense	**1,468**	**859**	**66**	**2,393**
Income before taxes and non-controlling interest in subsidiaries	**820**	**367**	**44**	**1,231**
Provision for income taxes	**149**	**112**	**(5)**	**256**
Reported net income	**671**	**255**	**49**	**975**
Non-controlling interest in subsidiaries	**14**	**4**	**-**	**18**
Net Income attributable to bank shareholders	**657**	**251**	**49**	**957**
Average Assets	**339,401**	**195,409**	**20,280**	**555,090**
Goodwill (As At)	**466**	**3,219**	**93**	**3,778**

For the three months ended April 30, 2012	Canada	United States	Other Countries	Total
Net interest income	1,294	815	11	2,120
Non-interest revenue	1,263	446	130	1,839
Total Revenue	2,557	1,261	141	3,959
Provision for credit losses	167	28	-	195
Amortization	98	69	2	169
Non-interest expense	1,399	881	50	2,330
Income before taxes and non-controlling interest in subsidiaries	893	283	89	1,265
Provision for income taxes	155	80	2	237
Reported net income	738	203	87	1,028
Non-controlling interest in subsidiaries	13	5	-	18
Net Income attributable to bank shareholders	725	198	87	1,010
Average Assets	330,068	187,905	20,218	538,191
Goodwill (As At)	447	3,162	93	3,702

(Canadian $ in millions)

For the six months ended **April 30, 2013**	Canada	United States	Other Countries	Total
Net interest income	**2,571**	**1,714**	**29**	**4,314**
Non-interest revenue	**2,607**	**903**	**201**	**3,711**
Total Revenue	**5,178**	**2,617**	**230**	**8,025**
Provision for credit losses	**304**	**20**	**(1)**	**323**
Amortization	**212**	**134**	**5**	**351**
Non-interest expense	**2,927**	**1,751**	**129**	**4,807**
Income before taxes and non-controlling interest in subsidiaries	**1,735**	**712**	**97**	**2,544**
Provision for income taxes	**343**	**181**	**(3)**	**521**
Reported net income	**1,392**	**531**	**100**	**2,023**
Non-controlling interest in subsidiaries	**27**	**9**	**-**	**36**
Net Income attributable to bank shareholders	**1,365**	**522**	**100**	**1,987**
Average Assets	**343,596**	**190,528**	**20,592**	**554,716**
Goodwill (As At)	**466**	**3,219**	**93**	**3,778**

For the six months ended April 30, 2012 .	Canada	United States	Other Countries	Total
Net interest income	2,606	1,807	25	4,438
Non-interest revenue	2,455	919	264	3,638
Total Revenue	5,061	2,726	289	8,076
Provision for credit losses	351	(15)	-	336
Amortization	197	144	3	344
Non-interest expense	2,842	1,768	99	4,709
Income before taxes and non-controlling interest in subsidiaries	1,671	829	187	2,687
Provision for income taxes	307	241	2	550
Reported net income	1,364	588	185	2,137
Non-controlling interest in subsidiaries	27	10	-	37
Net Income attributable to bank shareholders	1,337	578	185	2,100
Average Assets	325,731	192,117	20,342	538,190
Goodwill (As At)	447	3,162	93	3,702

Prior periods have been restated to give effect to the current period's organizational structure and presentation changes.

Note 17: Financial Instruments

Book Value and Fair Value of Financial Instruments

Set out in the following table are the amounts that would be reported if all of our financial instrument assets and liabilities were reported at their fair values. Refer to the notes to our annual consolidated financial statements for the year ended October 31, 2012 on pages 170 to 176 for further discussion on the determination of fair value.

(Canadian $ in millions)			**April 30, 2013**			October 31, 2012
	Book value	**Fair value**	**Fair value over (under) book value**	Book value	Fair value	Fair value over (under) book value
Assets						
Cash and cash equivalents	**38,446**	**38,446**	**-**	19,941	19,941	-
Interest bearing deposits with banks	**6,230**	**6,230**	**-**	6,341	6,341	-
Securities	**122,456**	**122,774**	**318**	128,324	128,492	168
Securities borrowed or purchased under resale agreements	**59,478**	**59,478**	**-**	47,011	47,011	-
Loans						
Residential mortgages	**91,439**	**92,456**	**1,017**	87,870	88,554	684
Consumer instalment and other personal	**62,308**	**61,512**	**(796)**	61,436	61,014	(422)
Credit cards	**7,642**	**7,396**	**(246)**	7,814	7,573	(241)
Businesses and governments	**95,382**	**94,153**	**(1,229)**	90,402	88,939	(1,463)
	256,771	**255,517**	**(1,254)**	247,522	246,080	(1,442)
Customers' liability under acceptances	**8,514**	**8,465**	**(49)**	8,019	7,966	(53)
Allowance for credit losses (1)	**(1,725)**	**-**	**1,725**	(1,706)	-	1,706
Total loans and customers' liability under acceptances, net of allowance for credit losses	**263,560**	**263,982**	**422**	253,835	254,046	211
Derivative instruments	**43,063**	**43,063**	**-**	48,071	48,071	-
Premises and equipment	**2,149**	**2,149**	**-**	2,120	2,120	-
Goodwill	**3,778**	**3,778**	**-**	3,717	3,717	-
Intangible assets	**1,535**	**1,535**	**-**	1,552	1,552	-
Current tax assets	**1,527**	**1,527**	**-**	1,293	1,293	-
Deferred tax assets	**2,873**	**2,873**	**-**	2,906	2,906	-
Other assets	**10,163**	**10,163**	**-**	10,338	10,338	-
	555,258	**555,998**	**740**	525,449	525,828	379
Liabilities						
Deposits	**358,336**	**358,598**	**262**	323,702	323,949	247
Derivative instruments	**44,011**	**44,011**	**-**	48,736	48,736	-
Acceptances	**8,514**	**8,514**	**-**	8,019	8,019	-
Securities sold but not yet purchased	**23,897**	**23,897**	**-**	23,439	23,439	-
Securities lent or sold under repurchase agreements	**39,005**	**39,005**	**-**	39,737	39,737	-
Current tax liabilities	**551**	**551**	**-**	404	404	-
Deferred tax liabilities	**149**	**149**	**-**	171	171	-
Other liabilities	**45,846**	**46,422**	**576**	46,596	47,111	515
Subordinated debt	**4,071**	**4,304**	**233**	4,093	4,297	204
Capital trust securities	**462**	**635**	**173**	462	636	174
Total equity	**30,416**	**30,416**	**-**	30,090	30,090	-
	555,258	**556,502**	**1,244**	525,449	526,589	1,140
Total fair value adjustment			**(504)**			(761)

(1) The allowance for credit losses is excluded from the calculation of the fair value of loans since the fair value already includes an adjustment for expected future losses on the loans.

Certain comparative figures have been reclassified to conform with the current period's presentation.

Financial Instruments Designated at Fair Value

A portion of our structured note liabilities has been designated at fair value through profit or loss and are accounted for at fair value, which aligns the accounting result with the way the portfolio is managed. The change in fair value of these structured notes was a decrease in non-interest revenue, trading revenues of $19 million and $11 million, respectively, for the three and six months ended April 30, 2013 (decrease of $5 million and an increase of $28 million, respectively, for the three and six months ended April 30, 2012). This includes a decrease of $21 million and $35 million for the three and six months ended April 30, 2013 attributable to changes in our credit spread (decrease of $37 million and $31 million, respectively, for the three and six months ended April 30, 2012). We recognized offsetting amounts on derivatives and other financial instrument contracts that are held to hedge changes in the fair value of these structured notes.

The change in fair value related to changes in our credit spread that has been recognized since they were designated at fair value through profit or loss to April 30, 2013 was an unrealized loss of $35 million. Starting in 2009, we hedged the exposure to changes in our credit spreads.

The fair value and amount due at contractual maturity of these structured notes as at April 30, 2013 were $4,134 million and $4,128 million, respectively ($4,301 million and $4,284 million, respectively, as at October 31, 2012). These structured notes are recorded in Deposits in our Consolidated Balance Sheet.

We designate certain securities held by our insurance subsidiaries that support our insurance liabilities at fair value through profit or loss since the actuarial calculation of insurance liabilities is based on the fair value of the investments supporting them. This designation aligns the accounting result with the way the portfolio is managed on a fair value basis. The fair value of these investments as at April 30, 2013 of $5,797 million ($5,561 million as at October 31, 2012) is recorded in securities, trading in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss were increases of $156 million and $110 million in non-interest revenue, insurance income, respectively, for the three and six months ended April 30, 2013 (decrease of $38 million and an increase of $133 million, respectively, for the three and six months ended April 30, 2012). Changes in the insurance liability balances are also recorded in non-interest revenue, insurance income.

We designate the obligation related to certain annuity contracts at fair value through profit or loss, which eliminates a measurement inconsistency that would otherwise arise from measuring the annuity liabilities and offsetting changes in the fair value of the investments supporting them on a different basis. The fair value of these annuity liabilities as at April 30, 2013 of $345 million ($317 million as at October 31, 2012) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these annuity liabilities resulted in a decrease of $13 million and $18 million in non-interest revenue, insurance income, respectively for the three and six months ended April 30, 2013 (increase of $1 million and a decrease of $11 million , respectively, for the three and six months ended April 30, 2012). Changes in the fair value of investments backing these annuity liabilities are also recorded in non-interest revenue, insurance income.

We designate investments held by our credit protection vehicle and our structured investment vehicle at fair value through profit or loss, which aligns the accounting result with the way the portfolio is managed on a fair value basis. The fair value of these investments as at April 30, 2013 of $842 million ($1,849 million as at October 31, 2012) is recorded in securities, trading in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was a decrease in non-interest revenue, trading revenues of $30 million and $31 million for the three and six months ended April 30, 2013, respectively (increase of $69 million and $64 million, respectively, for the three and six months ended April 30, 2012).

Note liabilities issued by our credit protection vehicle and our structured investment vehicle have been designated at fair value through profit or loss and are accounted for at fair value. This eliminates a measurement inconsistency that would otherwise arise from measuring the note liabilities and offsetting changes in the fair value of investments and derivatives on a different basis. The fair value of these note liabilities as at April 30, 2013 of $960 million ($946 million as at October 31, 2012) is recorded in Other Liabilities in our Consolidated Balance Sheet. The change in fair value of these note liabilities resulted in a decrease of $1 million and $12 million in non-interest revenue, trading revenues, respectively, for the three and six months ended April 30, 2013 (decrease of $63 million and $108 million, respectively, for the three and six months ended April 30, 2012).

We designate certain investments held in our merchant banking business at fair value through profit or loss, which aligns the accounting result with the way the portfolio is managed. The fair value of these investments as at April 30, 2013 of $488 million ($654 million as at October 31, 2012) is recorded in securities, other in our Consolidated Balance Sheet. The impact of recording these investments at fair value through profit or loss was a decrease in non-interest revenue, securities gains, other than trading of $4 million and $15 million, respectively, for the three and six months ended April 30, 2013 (decrease of $0.3 million and $26 million, respectively, for the three and six months ended April 30, 2012).

Fair Value Hierarchy

We use a fair value hierarchy to categorize the inputs we use in valuation techniques to measure fair value. The extent of our use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2) and internal models without observable market information as inputs (Level 3) in the valuation of securities, fair value liabilities, derivative assets and derivative liabilities was as follows:

(Canadian $ in millions)		**April 30, 2013**			October 31, 2012	
	Valued using quoted market prices	**Valued using models (with observable inputs)**	**Valued using models (without observable inputs)**	Valued using quoted market prices	Valued using models (with observable inputs)	Valued using models (without observable inputs)
Trading Securities						
Issued or guaranteed by:						
Canadian federal government	**10,821**	**1,042**	**-**	9,675	1,232	-
Canadian provincial and municipal governments	**2,473**	**3,156**	**-**	2,615	2,827	73
U.S. federal government	**6,585**	**-**	**-**	7,052	-	-
U.S. states, municipalities and agencies	**10**	**758**	**76**	204	165	78
Other governments	**56**	**16**	**-**	521	-	-
Mortgage-backed securities and collateralized mortgage obligations	**281**	**511**	**192**	361	777	372
Corporate debt	**3,780**	**7,648**	**1,076**	3,871	9,117	1,331
Corporate equity	**22,603**	**12,162**	**-**	19,822	10,016	-
	46,609	**25,293**	**1,344**	44,121	24,134	1,854
Available-for-Sale Securities						
Issued or guaranteed by:						
Canadian federal government	**12,182**	**-**	**-**	17,277	-	-
Canadian provincial and municipal governments	**2,030**	**359**	**-**	2,080	600	-
U.S. federal government	**3,607**	**-**	**-**	10,099	-	-
U.S. states, municipalities and agencies	**85**	**4,866**	**1**	85	4,368	9
Other governments	**4,256**	**1,818**	**-**	5,388	1,208	-
Mortgage-backed securities and collateralized mortgage obligations	**2,309**	**4,494**	**-**	3,140	3,068	-
Corporate debt	**5,517**	**3,217**	**35**	5,214	2,619	42
Corporate equity	**98**	**147**	**899**	106	137	942
	30,084	**14,901**	**935**	43,389	12,000	993
Other Securities	**-**	**-**	**488**	128	-	526
Fair Value Liabilities						
Securities sold but not yet purchased	**21,917**	**1,980**	**-**	22,729	710	-
Structured notes liabilities and other note liabilities	**-**	**5,094**	**-**	-	5,247	-
Annuity liabilities	**-**	**345**	**-**	-	317	-
	21,917	**7,419**	**-**	22,729	6,274	-
Derivative Assets						
Interest rate contracts	**6**	**33,487**	**1**	7	38,180	3
Foreign exchange contracts	**10**	**8,034**	**-**	35	8,010	-
Commodity contracts	**692**	**131**	**-**	1,132	100	-
Equity contracts	**14**	**491**	**-**	20	342	5
Credit default swaps	**-**	**161**	**36**	-	200	37
	722	**42,304**	**37**	1,194	46,832	45
Derivative Liabilities						
Interest rate contracts	**6**	**32,821**	**20**	7	37,037	20
Foreign exchange contracts	**9**	**7,599**	**-**	9	7,496	2
Commodity contracts	**798**	**162**	**-**	1,463	278	-
Equity contracts	**29**	**2,398**	**62**	78	2,146	44
Credit default swaps	**-**	**104**	**3**	-	154	2
	842	**43,084**	**85**	1,557	47,111	68

Certain comparative figures have been reclassified to conform with the current period's presentation.

Valuation Techniques and Significant Inputs

We determine the fair value of publicly traded fixed maturity and equity securities using quoted market prices in active markets (Level 1) when these are available. When quoted prices in active markets are not available, we determine the fair value of financial instruments using models such as discounted cash flows with observable market data for inputs such as yield and prepayment rates or broker quotes and other third-party vendor quotes (Level 2). Fair value may also be determined using models where the significant market inputs are unobservable due to inactive or minimal market activity (Level 3). We maximize the use of market inputs to the extent possible.

Our Level 2 trading securities are primarily valued using discounted cash flow models with observable spreads or based on broker quotes. The fair value of Level 2 available-for-sale securities is determined using discounted cash flow models with observable spreads or third-party vendor quotes. Level 2 structured note liabilities are valued using models with observable market information. Level 2 derivative assets and liabilities are valued using industry standard models and observable market information.

Sensitivity analysis at April 30, 2013 for the most significant Level 3 instruments, that is securities which represent greater than 10% of Level 3 instruments, is provided below.

Within Level 3 trading securities are mortgage-backed securities and collateralized mortgage obligations of $192 million. The fair value of these securities is determined using benchmarking to similar instruments and by obtaining independent prices provided by third-party vendors, broker quotes and relevant market indices, as applicable. Where external price data is not available, we assess the collateral performance in assessing the fair value of the securities. The impact of assuming a 10 basis point increase or decrease in market spread would result in a change in fair value of $(1) million and $1 million respectively.

Within Level 3 trading securities is corporate debt of $1,041 million that relates to securities that are hedged with total return swaps and credit default swaps that are also considered a Level 3 instrument. The sensitivity analysis for the structured product is performed on an aggregate basis and is described as part of the discussion on derivatives below.

Within Level 3 available-for-sale securities is corporate equity of $580 million that relates to United States Federal Reserve Banks and United States Federal Home Loan Banks that we hold to meet regulatory requirements in the United States and $319 million that relates to private equity investments. The valuation of these investments requires management judgement due to the absence of quoted market prices, the potential lack of liquidity and the long-term nature of such assets. Each quarter, the valuation of these investments is reviewed using relevant company-specific and industry data including historical and projected net income, credit and liquidity conditions and recent transactions, if any. Since the valuation of these investments does not use models, a sensitivity analysis on the category is not performed.

Within derivative assets and derivative liabilities as at April 30, 2013 was $37 million and $23 million, respectively, related to the mark-to-market of credit default swaps and total return swaps on structured products. We have determined the valuation of these derivatives and the related securities based on external price data obtained from brokers and dealers for similar structured products. Where external price information is not available, we use market-standard models to model the specific collateral composition and cash flow structure of the deal. Key inputs to the model are market spread data for each credit rating, collateral type and other relevant contractual features. The impact of assuming a 10 basis point increase or decrease in the market spread would result in a change in fair value of $(3) million and $3 million, respectively.

Significant Transfers

Transfers are made between the various fair value hierarchy levels due to changes in the availability of quoted market prices or observable market inputs due to changing market conditions. The following is a discussion of the more significant transfers between Level 1, Level 2 and Level 3 balances for the three months and six months ended April 30, 2013.

During the six months ended April 30, 2013, $16 million of trading mortgage-backed securities were transferred from Level 2 to Level 3 as a result of fewer available prices for these securities from third-party vendors during the three and six months.

During the three and six months ended April 30, 2013, $28 million of trading Canadian provincial and municipal securities, $29 million of available-for-sale corporate debt securities and $3 million of available-for-sale corporate equity securities were transferred from Level 3 to Level 2 as observable inputs became available.

Changes in Level 3 Fair Value Measurements

The table on the following page presents a reconciliation of all changes in Level 3 financial instruments during the three and six months ended April 30, 2013, including realized and unrealized gains (losses) included in earnings and other comprehensive income.

(Canadian $ in millions)

For the three months ended April 30, 2013	Balance January 31, 2013	Change in Fair Value: Included in earnings	Change in Fair Value: Included in other comprehensive income	Purchases	Sales	Maturities (1)	Transfers in / (out) of Level 3	Fair Value as at April 30, 2013	Unrealized Gains (losses) (2)
Trading Securities									
Issued or guaranteed by:									
Canadian provincial and municipal governments	76	(2)	-	-	(46)	-	(28)	-	-
U.S. states, municipalities and agencies	77	(1)	-	-	-	-	-	76	(1)
Mortgage-backed securities and collateralized mortgage obligations	264	8	-	-	(66)	(14)	-	192	8
Corporate debt	1,225	16	-	-	(45)	(120)	-	1,076	4
Total trading securities	1,642	21	-	-	(157)	(134)	(28)	1,344	11
Available-for-Sale Securities									
Issued or guaranteed by:									
U.S. states, municipalities and agencies	1	-	-	-	-	-	-	1	-
Corporate debt	67	-	1	-	(3)	(1)	(29)	35	1
Corporate equity	937	(5)	10	20	(60)	-	(3)	899	10
Total available-for-sale securities	1,005	(5)	11	20	(63)	(1)	(32)	935	11
Other Securities	501	(1)	-	3	(15)	-	-	488	-
Derivative Assets									
Interest rate contracts	1	-	-	-	-	-	-	1	-
Equity contracts	4	-	-	-	-	-	(4)	-	-
Credit default swaps	44	(8)	-	-	-	-	-	36	(8)
Total derivative assets	49	(8)	-	-	-	-	(4)	37	(8)
Derivative Liabilities									
Interest rate contracts	24	(4)	-	-	-	-	-	20	4
Equity contracts	57	1	-	-	(2)	-	6	62	(1)
Foreign exchange contracts	-	-	-	-	-	-	-	-	-
Credit default swaps	3	-	-	-	-	-	-	3	-
Total derivative liabilities	84	(3)	-	-	(2)	-	6	85	3

(1) Includes cash settlement of derivative assets and derivative liabilities.

(2) Unrealized gains or losses on trading securities, derivative assets and derivative liabilities still held on April 30, 2013 are included in earnings in the period. For available-for-sale securities, the unrealized gains or losses on securities still held on April 30, 2013 are included in Accumulated Other Comprehensive Income.

(Canadian $ in millions)

For the six months ended April 30, 2013	Balance October 31, 2012	Change in Fair Value: Included in earnings	Change in Fair Value: Included in other comprehensive income	Purchases	Sales	Maturities (1)	Transfers in / (out) of Level 3	Fair Value as at April 30, 2013	Unrealized Gains (losses) (2)
Trading Securities									
Issued or guaranteed by:									
Canadian provincial and municipal governments	73	1	-	-	(46)	-	(28)	-	-
U.S. states, municipalities and agencies	78	(2)	-	-	-	-	-	76	(2)
Mortgage-backed securities and collateralized mortgage obligations	372	22	-	-	(186)	(32)	16	192	22
Corporate debt	1,331	29	-	-	(164)	(120)	-	1,076	19
Total trading securities	1,854	50	-	-	(396)	(152)	(12)	1,344	39
Available-for-Sale Securities									
Issued or guaranteed by:									
U.S. states, municipalities and agencies	9	-	-	-	(8)	-	-	1	-
Corporate debt	42	-	2	27	(5)	(2)	(29)	35	1
Corporate equity	942	(7)	7	40	(80)	-	(3)	899	8
Total available-for-sale securities	993	(7)	9	67	(93)	(2)	(32)	935	9
Other Securities	526	2	-	27	(67)	-	-	488	3
Derivative Assets									
Interest rate contracts	3	(2)	-	-	-	-	-	1	(2)
Equity contracts	5	(1)	-	-	-	-	(4)	-	(1)
Credit default swaps	37	(1)	-	-	-	-	-	36	(1)
Total derivative assets	45	(4)	-	-	-	-	(4)	37	(4)
Derivative Liabilities									
Interest rate contracts	20	-	-	-	-	-	-	20	-
Equity contracts	44	15	-	-	(3)	-	6	62	(15)
Foreign exchange contracts	2	-	-	-	-	-	(2)	-	-
Credit default swaps	2	1	-	-	-	-	-	3	(1)
Total derivative liabilities	68	16	-	-	(3)	-	4	85	(16)

(1) Includes cash settlement of derivative assets and derivative liabilities.

(2) Unrealized gains or losses on trading securities, derivative assets and derivative liabilities still held on April 30, 2013 are included in earnings in the period. For available-for-sale securities, the unrealized gains or losses on securities still held on April 30, 2013 are included in Accumulated Other Comprehensive Income.

Note 18: Contractual Maturities of Assets and Liabilities

The tables below show the remaining contractual maturity of on-balance sheet assets and liabilities and certain off-balance sheet liabilities. The contractual maturity of financial assets and liabilities is an input to but is not necessarily consistent with the expected maturity of assets and liabilities that is used in the management of liquidity and funding risk. BMO forecasts asset and liability cashflows under both normal market conditions and under a number of stress scenarios to manage liquidity and funding risk. Stress scenarios include assumptions for loan repayments, deposit withdrawals, and credit commitment and liquidity facility drawdowns by counterparty and product type. Stress scenarios also consider the time horizon over which liquid assets can be monetized and the related haircuts and potential collateral requirements that may occur due to both market volatility and credit rating downgrades amongst other assumptions. For further details, see the Liquidity and Funding Risk Section on page 86 of the Bank's 2012 Annual Report.

(Canadian $ in millions)									April 30, 2013
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments									
Assets									
Cash and cash equivalent	37,699	-	-	-	-	-	-	747	38,446
Interest bearing deposits with banks	6,230	-	-	-	-	-	-	-	6,230
Trading securities									
Issued or guaranteed by:									
Canadian federal government	405	684	491	1,308	3,397	1,528	4,050	-	11,863
Canadian provincial and municipal governments	216	356	219	59	596	564	3,619	-	5,629
US federal government	559	154	126	258	2,683	686	2,119	-	6,585
US states, municipalities and agencies	19	-	2	-	461	54	308	-	844
Other government	1	-	4	-	47	20	-	-	72
Mortgage-backed securities and collateralized mortgage obligations	-	7	2	5	305	254	411	-	984
Corporate debt	647	370	295	85	1,913	2,451	6,743	-	12,504
Corporate equity	-	-	-	-	-	-	-	34,765	34,765
Total trading securities	1,847	1,571	1,139	1,715	9,402	5,557	17,250	34,765	73,246
Available-for-sale securities									
Issued or guaranteed by:									
Canadian federal government	192	859	2,138	950	4,024	4,019	-	-	12,182
Canadian provincial and municipal governments	100	-	145	-	393	991	760	-	2,389
US federal government	713	81	3	204	2,606	-	-	-	3,607
US states, municipalities and agencies	1,237	210	175	34	688	659	1,949	-	4,952
Other governments	979	292	176	168	2,864	1,595	-	-	6,074
Mortgage-backed securities and collateralized mortgage obligations - Canada	122	-	-	-	606	328	-	-	1,056
Mortgage-backed securities and collateralized mortgage obligations - US	-	-	1	-	6	8	5,732	-	5,747
Corporate debt	220	39	150	169	3,925	4,002	264	-	8,769
Corporate equity	-	-	-	-	-	-	-	1,144	1,144
Total available-for-sale securities	3,563	1,481	2,788	1,525	15,112	11,602	8,705	1,144	45,920
Held-to-maturity securities									
Issued or guaranteed by:									
Canadian federal government	-	-	-	-	101	1,354	-	-	1,455
Canadian provincial and municipal governments	-	-	-	-	200	670	151	-	1,021
Total held-to-mauturity securities	-	-	-	-	301	2,024	151	-	2,476
Other securities	-	-	-	23	34	5	6	746	814
Total securities	5,410	3,052	3,927	3,263	24,849	19,188	26,112	36,655	122,456

(Canadian $ in millions)									April 30, 2013
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
Securities borrowed or purchased under resale agreements	57,001	986	-	1,178	313	-	-	-	59,478
Loans									
Residential mortgages	1,989	1,956	2,305	3,175	37,981	35,607	8,426	-	91,439
Consumer instalment and other personal	810	434	425	585	11,965	15,410	9,355	23,324	62,308
Credit Cards	-	-	-	-	-	-	-	7,642	7,642
Business and government	12,823	5,063	2,999	8,993	14,798	19,146	4,701	26,859	95,382
Customers' liabilities under acceptances	8,514	-	-	-	-	-	-	-	8,514
Allowance for credit losses	-	-	-	-	-	-	-	(1,725)	(1,725)
Total loans and acceptances, net of allowance (1)	24,136	7,453	5,729	12,753	64,744	70,163	22,482	56,100	263,560
Other Assets									
Derivative instruments									
Interest rate contracts	339	268	231	382	6,348	8,444	17,482	-	33,494
Foreign exchange contracts	1,628	484	225	509	2,542	952	1,704	-	8,044
Commodity contracts	133	157	147	132	153	48	53	-	823
Equity contracts	88	56	143	90	99	29	-	-	505
Credit contracts	2	2	2	106	3	82	-	-	197
Total derivative assets	2,190	967	748	1,219	9,145	9,555	19,239	-	43,063
Premises and equipment	-	-	-	-	-	-	-	2,149	2,149
Goodwill	-	-	-	-	-	-	-	3,778	3,778
Intangible assets	-	-	-	-	-	-	-	1,535	1,535
Current tax assets	-	-	-	-	-	-	-	1,527	1,527
Deferred tax assets	-	-	-	-	-	-	-	2,873	2,873
Other	3,813	25	-	-	112	-	525	5,688	10,163
Total other assets	6,003	992	748	1,219	9,257	9,555	19,764	17,550	65,088
Total Assets	136,479	12,483	10,404	18,413	99,163	98,906	68,358	111,052	555,258
Liabilities and Equity									
Deposits (2)									
Banks	16,360	68	-	10	-	258	-	5,919	22,615
Business and government	55,539	15,068	6,659	5,099	20,553	15,339	3,835	91,042	213,134
Individuals	7,313	4,906	7,877	5,717	11,399	2,911	964	81,500	122,587
Total deposits	79,212	20,042	14,536	10,826	31,952	18,508	4,799	178,461	358,336
Other liabilities									
Derivative instruments									
Interest rate contracts	353	306	242	447	5,994	8,721	16,784	-	32,847
Foreign exchange contracts	1,926	405	319	536	2,258	809	1,355	-	7,608
Commodity Contracts	239	223	222	151	20	61	44	-	960
Equity contracts	98	61	39	101	1,196	322	672	-	2,489
Credit contracts	20	2	2	77	6	-	-	-	107
Total derivative liabilities	2,636	997	824	1,312	9,474	9,913	18,855	-	44,011
Acceptances	8,514	-	-	-	-	-	-	-	8,514
Securities sold but not yet purchased	23,897	-	-	-	-	-	-	-	23,897
Securities lent or sold under repurchase agreements	38,120	885	-	-	-	-	-	-	39,005
Current tax liabilities	-	-	-	-	-	-	-	551	551
Deferred tax liabilities	-	-	-	-	-	-	-	149	149
Securitization and SPE liabilities	1,646	3,434	2,647	945	4,857	7,000	4,502	75	25,106
Other	7,751	15	23	8	288	3,374	1,905	7,376	20,740
Total other liabilities	82,564	5,331	3,494	2,265	14,619	20,287	25,262	8,151	161,973
Subordinated debt	23	8	-	-	-	100	3,940	-	4,071
Capital trust securities	15	-	-	-	-	-	447	-	462
Total Equity	-	-	-	-	-	-	-	30,416	30,416
Total Liabilities and Equity	161,814	25,381	18,030	13,091	46,571	38,895	34,448	217,028	555,258

(1) Included in total loans and acceptances are $194,032 million, $65,641 million, and $5,612 million of loans originated in Canada, United States and Other countries, respectively.

(2) Deposits payable on demand and payable after notice have been included as having "no maturity".

(Canadian $ in millions)									April 30, 2013
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Financial Instruments									
Commitments to extend credit (3)	1,100	651	767	12,198	14,549	31,171	1,594	-	62,030
Operating leases	64	63	63	61	442	338	642	-	1,673
Financial guarantee contracts (3)	4,261	-	-	-	-	-	-	-	4,261
Purchase obligations	283	286	237	239	1,594	763	132	-	3,534

(3) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

(Canadian $ in millions)									October 31, 2012
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
On-Balance Sheet Financial Instruments									
Assets									
Cash and cash equivalent	19,162	-	-	-	-	-	-	779	19,941
Interest bearing deposits with banks	6,341	-	-	-	-	-	-	-	6,341
Trading securities									
Issued or guaranteed by:									
Canadian federal government	1,624	1,247	146	774	2,465	1,598	3,053	-	10,907
Canadian provincial and municipal governments	557	120	134	102	593	448	3,561	-	5,515
US federal government	308	161	217	650	3,574	1,181	961	-	7,052
US states, municipalities and agencies	-	-	-	-	139	89	219	-	447
Other government	8	81	-	-	141	291	-	-	521
Mortgage-backed securities and collateralized mortgage obligations	-	3	-	28	276	331	872	-	1,510
Corporate debt	1,175	383	340	584	1,791	2,833	7,213	-	14,319
Corporate equity	-	-	-	-	-	-	-	29,838	29,838
Total trading securities	3,672	1,995	837	2,138	8,979	6,771	15,879	29,838	70,109
Available-for-sale securities									
Issued or guaranteed by:									
Canadian federal government	5	505	1,670	1,251	8,230	5,616	-	-	17,277
Canadian provincial and municipal governments	44	250	56	16	509	856	949	-	2,680
US federal government	1,021	-	3,024	-	3,725	2,329	-	-	10,099
US states, municipalities and agencies	1,277	28	31	23	825	758	1,520	-	4,462
Other governments	1,203	1,864	650	289	1,758	832	-	-	6,596
Mortgage-backed securities and collateralized mortgage obligations - Canada	-	141	287	-	7	-	-	-	435
Mortgage-backed securities and collateralized mortgage obligations - US	-	-	-	1	-	6	5,766	-	5,773
Corporate debt	204	63	64	20	3,344	3,714	466	-	7,875
Corporate equity	-	-	-	-	-	-	-	1,185	1,185
Total available-for-sale securities	3,754	2,851	5,782	1,600	18,398	14,111	8,701	1,185	56,382
Held-to-maturity securities									
Issued or guaranteed by:									
Canadian federal government	-	-	-	-	101	-	499	-	600
Canadian provincial and municipal governments	-	-	-	-	-	275	-	-	275
Total held-to-maturity securities	-	-	-	-	101	275	499	-	875
Other securities	45	-	-	-	45	33	17	818	958
Total securities	7,471	4,846	6,619	3,738	27,523	21,190	25,096	31,841	128,324
Securities borrowed or purchased under resale agreements	47,011	-	-	-	-	-	-	-	47,011
Loans									
Residential mortgages	1,705	1,617	2,135	2,081	33,833	38,277	8,222	-	87,870
Consumer instalment and other personal	579	287	464	2,079	8,891	18,422	7,775	22,939	61,436
Credit Cards	-	-	-	-	-	-	-	7,814	7,814
Business and government	8,980	3,376	1,647	14,963	15,134	12,901	4,759	28,642	90,402
Customers' liabilities under acceptances	8,019	-	-	-	-	-	-	-	8,019
Allowance for credit losses	-	-	-	-	-	-	-	(1,706)	(1,706)
Total loans and acceptances, net of allowance (1)	19,283	5,280	4,246	19,123	57,858	69,600	20,756	57,689	253,835
Other Assets									
Derivative instruments									
Interest rate contracts	489	305	545	480	6,078	9,028	21,265	-	38,190
Foreign exchange contracts	2,643	435	304	138	2,256	795	1,474	-	8,045
Commodity contracts	560	91	65	68	346	50	52	-	1,232
Equity contracts	141	17	44	11	122	32	-	-	367
Credit contracts	3	3	4	4	35	146	42	-	237
Total derivative assets	3,836	851	962	701	8,837	10,051	22,833	-	48,071
Premises and equipment	-	-	-	-	-	-	-	2,120	2,120
Goodwill	-	-	-	-	-	-	-	3,717	3,717
Intangible assets	-	-	-	-	-	-	-	1,552	1,552
Current tax assets	-	-	-	-	-	-	-	1,293	1,293
Deferred tax assets	-	-	-	-	-	-	-	2,906	2,906
Other	1,508	33	-	-	-	-	3,190	5,607	10,338
Total other assets	5,344	884	962	701	8,837	10,051	26,023	17,195	69,997
Total Assets	104,612	11,010	11,827	23,562	94,218	100,841	71,875	107,504	525,449

(1) Included in total loans and acceptances are $186,830 million, $63,969 million and $4,742 million of loans originated in Canada, the United States and Other countries, respectively.

(Canadian $ in millions)									October 31, 2012
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
Liabilities and Equity									
Deposits (1)									
Banks	12,667	48	7	-	-	-	-	5,380	18,102
Business and government	46,810	9,210	5,107	9,173	16,273	13,813	3,340	82,844	186,570
Individuals	7,303	5,955	6,133	5,837	12,627	3,426	1,046	76,703	119,030
Total deposits	66,780	15,213	11,247	15,010	28,900	17,239	4,386	164,927	323,702
Other liabilities									
Derivative instruments									
Interest rate contracts	297	378	614	513	6,259	8,640	20,363	-	37,064
Foreign exchange contracts	2,029	546	362	211	2,279	874	1,206	-	7,507
Commodity Contracts	626	198	172	163	473	63	46	-	1,741
Equity contracts	500	60	72	88	611	209	728	-	2,268
Credit contracts	52	4	3	2	38	51	6	-	156
Total derivative liabilities	3,504	1,186	1,223	977	9,660	9,837	22,349	-	48,736
Acceptances	8,019	-	-	-	-	-	-	-	8,019
Securities sold but not yet purchased	23,439	-	-	-	-	-	-	-	23,439
Securities lent or sold under repurchase agreements	39,737	-	-	-	-	-	-	-	39,737
Current tax liabilities	-	-	-	-	-	-	-	404	404
Deferred tax liabilities	-	-	-	-	-	-	-	171	171
Securitization and SPE liabilities	2,340	11	1,712	3,423	7,147	6,806	4,004	39	25,482
Other	8,923	28	11	200	308	1,211	3,279	7,154	21,114
Total other liabilities	85,962	1,225	2,946	4,600	17,115	17,854	29,632	7,768	167,102
Subordinated debt	15	11	-	-	-	100	3,967	-	4,093
Capital trust securities	12	-	-	-	-	-	450	-	462
Total Equity	-	-	-	-	-	-	-	30,090	30,090
Total Liabilities and Equity	152,769	16,449	14,193	19,610	46,015	35,193	38,435	202,785	525,449

(1) Deposits payable on demand and payable after notice have been included as having "no maturity".

(Canadian $ in millions)									October 31, 2012
	0 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	No maturity	Total
Off-Balance Sheet Financial Instruments									
Commitments to extend credit (2)	1,846	1,910	1,939	9,734	16,395	26,263	1,898	-	59,985
Operating leases	68	69	69	68	469	359	700	-	1,802
Financial guarantee contracts (2)	4,343	-	-	-	-	-	-	-	4,343
Purchase obligations	177	177	101	63	517	286	207	-	1,528

(2) A large majority of these commitments expire without being drawn upon. As a result, the total contractual amounts may not be representative of the funding likely to be required for these commitments.

INVESTOR AND MEDIA PRESENTATION

Investor Presentation Materials

Interested parties are invited to visit our website at www.bmo.com/investorrelations to review our 2012 Annual Report, this quarterly news release, presentation materials and a supplementary financial information package online.

Quarterly Conference Call and Webcast Presentations

Interested parties are also invited to listen to our quarterly conference call on Wednesday, May 29, 2013, at 2:00 p.m. (EDT). At that time, senior BMO executives will comment on results for the quarter and respond to questions from the investor community. The call may be accessed by telephone at 416-695-9753 (from within Toronto) or 1-888-789-0089 (toll-free outside Toronto). A replay of the conference call can be accessed until Monday, August 26, 2013, by calling 905-694-9451 (from within Toronto) or 1-800-408-3053 (toll-free outside Toronto) and entering passcode 1254867.

A live webcast of the call can be accessed on our website at www.bmo.com/investorrelations. A replay can also be accessed on the site.

Media Relations Contacts

Ralph Marranca, Toronto, ralph.marranca@bmo.com, 416-867-3996
Ronald Monet, Montreal, ronald.monet@bmo.com, 514-877-1873

Investor Relations Contacts

Sharon Haward-Laird, Head, Investor Relations, sharon.hawardlaird@bmo.com, 416-867-6656
Andrew Chin, Director, andrew.chin@bmo.com, 416-867-7019

Chief Financial Officer

Tom Flynn, Executive Vice-President and CFO,
tom.flynn@bmo.com, 416-867-4689

Corporate Secretary

Barbara Muir, Senior Vice-President, Deputy General Counsel,
Corporate Affairs and Corporate Secretary
corp.secretary@bmo.com, 416-867-6423

Shareholder Dividend Reinvestment and Share Purchase Plan (the "Plan")
Average market price as defined under the Plan
February 2013 $63.25
March 2013 $63.84
April 2013 $63.18

For dividend information, change in shareholder address or to advise of duplicate mailings, please contact
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 1-800-340-5021 (Canada and the United States)
Telephone: (514) 982-7800 (international)
Fax: 1-888-453-0330 (Canada and the United States)
Fax: (416) 263-9394 (international)
E-mail: service@computershare.com

For other shareholder information, please contact
Bank of Montreal
Shareholder Services
Corporate Secretary's Department
One First Canadian Place, 21st Floor
Toronto, Ontario M5X 1A1
Telephone: (416) 867-6785
Fax: (416) 867-6793
E-mail: corp.secretary@bmo.com

For further information on this report, please contact
Bank of Montreal
Investor Relations Department
P.O. Box 1, One First Canadian Place, 18th Floor
Toronto, Ontario M5X 1A1

To review financial results online, please visit our website at www.bmo.com

---